



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED**

**SEPTEMBER 30, 2014**

**MIDLAND, TEXAS**

**THE CITY OF MIDLAND, TEXAS**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

Prepared By:

Finance Department

Pam Simecka, Director of Finance

Charlene Fox, Comptroller

Shelby Zuniga, Accounting Manager

City of Midland  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2014

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March 20, 2015

Honorable Mayor  
and Members of the City Council  
City of Midland, Texas

Dear Mayor and Council:

The Comprehensive Annual Financial Report (CAFR) for the City of Midland (the City) for the year ended September 30, 2014 is submitted herewith in compliance with Article IV, Section 29, of the City Charter. This report is published to give our citizens convenient access to a report of the financial condition of our City, its resources during the past fiscal year and uses made of such resources, the results of operations of the various proprietary funds, and comparative and statistical information. The information contained herein will also serve our City Council, management, and staff as a guide in formulating policies and conducting the City's day-to-day affairs. The City's Finance Department is responsible for the accuracy of the data presented and the completeness and fairness of the presentation.

We believe the data presented is accurate in all material aspects and that all disclosures necessary to enable the reader to acquire an understanding of the City's financial activity have been provided.

Independent audits are an essential element of financial control and accountability. The City Charter requires an annual audit to be made of the financial records of the City by a competent public accountant selected by the City Council. Federal guidelines established for local governments receiving federal assistance require that programs receiving federal assistance be audited in conjunction with the local government's annual audit under the "single audit" concept. The City has complied with these requirements. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis of the basic financial statements, including comparative data from past year. It can be found immediately following the independent auditor's report. MD&A complement this letter of transmittal and should be read in conjunction with it.

### PROFILE OF THE GOVERNMENT

The City was incorporated on January 11, 1911, under the provisions of H.B. 901 of the Texas Legislature. It was subsequently chartered on November 5, 1940 (amended May 4, 1996) and operates under a Council-Manager form of government. The City Council comprises a Mayor and seven members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, City Secretary, and Municipal Judge. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and

ordinances, the appointment and supervision of department managers, and the performance of functions within the municipal organization.

The financial reporting entity contains all funds of the primary government (i.e., the City of Midland as legally defined), as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The City provides a wide range of services to the citizens, including police and fire protection, health and social services, public improvements, streets, traffic control, planning and zoning, water and sewer, solid waste, airports, parks and recreation facilities and general administrative services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC), the Midland Development Corporation (MDC) and the Midland Spaceport Development Corporation (Spaceport) are reported as discretely presented component units.

### LOCAL ECONOMY

Midland is located midway between Fort Worth and El Paso, along Interstate 20, in West Texas. The city has remained a management center, reflecting a unique concentration of highly trained and educated personnel. According to the U.S. Census Bureau 2009-2013 American Community Survey 5-year estimate, bachelor's degrees or higher are held by 18% of the population 25 years and older, and graduate or professional degrees are held by 7.3%. Attributes, such as the educational levels of the populace, in conjunction with good weather, the high quality of life, and the central location, which facilitates travel and shipping to both coasts, have made Midland a viable candidate in the recruitment of new or relocating businesses.

In 2013, published November 20, 2014 by the U.S. Department of Commerce Bureau of Economic Analysis, Midland attained the nation's highest per capita personal income (PCPI) in the United States. Midland serves as a regional administrative center for petroleum production.

The economic outlook for the City is stable at this time. According to the Texas Workforce Commission, Midland reported an unemployment rate of 2.9% for September 2014, lowest among Texas Metropolitan Statistical Areas (MSA). Midland is doing an excellent job of utilizing economic development resources, primarily economic development tax funds, to expand the economic base by attracting new companies and also assisting local existing businesses with funding expansion projects.

The city's residential, commercial and industrial growth has been influenced by the development of two city airports, Midland International Airport and Midland Airpark. Midland International Airport is the hub of aviation activity for a 43 county area of West Texas and southeast New Mexico. The full service Foreign Trade Zone (FTZ) at the Midland International Airport assists in the development of a diversified economy. Midland International is also a designated Port of Entry and has a U.S. Customs Office. The city's MSA population, estimated to be 148,255 by the Texas State Data Projections for 2013 prepared in 2014, has been growing steadily. A steady growth in the number of utility connections and annexations has created more demand on the water system and development of the T-Bar well field is helping meet the demands of a growing city along with the addition of the clear water well fields. This growth will continue to present major opportunities in commercial, industrial and residential areas. The past several years have seen the opening of a number of new national chain retail and service businesses. Normal growth is expected in the property tax base for Fiscal Year 2015, and the sales tax receipts for 2014 continued to be strong.



## LONG-TERM FINANCIAL PLANNING

Every year, the City Council sets a list of priorities as targets for action during the next year. The list is a product of the Strategic Planning Session where City Council and City Staff come together and design a blueprint for action. This includes examining where we have been as well as planning and preparing for the future needs of the City.

During the 2014 Strategic Planning Session, the following strategic initiatives were reviewed and updated at City Council retreat for 2014-2015.

### **STRATEGIC INITIATIVES**

- Initiate a comprehensive, community-wide approach to litter that emphasizes enforcement, education, partnerships and leading by example.
- Continue to research and discuss future possible uses for the 4B sales tax.
- Emphasize both external and internal communications, embracing technology and identifying stakeholders in decision-making.
- City staff will continue to address short-term solutions to increased traffic based on the results of the City's ongoing traffic study.
- City management will prioritize recruitment and competitive wages during the budget process.

### **Major project road map**

- Areas of growth are expected to happen outside as well as inside Loop 250.
- City Boundaries are expected to grow and develop with planned strategic annexations.
- Improved signalization, new and extended arterials and expressways will be planned for preparation of future transportation needs.
- City staff will work toward and updated sewer, water and drainage plan.
- Continue ongoing studies of the City's Zoning Code, traffic study, Jal/Midland Draw and Hydraulic Model. The Parks and Recreation, Fire Station, and Solid Waste Master Plans have all been recently updated.
- City Officials will continue to explore funding opportunities for future growth through federal and state grants, public/private partnerships, sales tax, and user fees.

The six items discussed as a road map to guide comprehensive planning during the 2014-2015 Strategic Planning Session are all key items that will enhance the energy and quality of life and prepare for the future needs of the City Of Midland.

## ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accrual basis of accounting is used to report all City financial activity in the government-wide financial statements. Under the accrual basis, revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period incurred.

The City uses the modified accrual basis of accounting for all Governmental Funds (General, Special Revenue, Debt Service, and Capital Projects), and the financial statements for these funds have been prepared on this basis. Under this basis, expenditures are recorded when liabilities are incurred and revenues are recorded when they become both measurable and available.

The accrual basis of accounting is followed for the Enterprise and Internal Service Funds. The financial statements for these funds are presented on that basis. Under the accrual basis, revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period incurred.

The City Manager, through his appointee, the Director of Finance, is responsible for maintaining an adequate and effective system of accounts and for establishing and maintaining an internal accounting control system that gives reasonable assurance that assets are being safeguarded against loss from unauthorized use or disposition, and that the financial records can be relied upon for preparing financial statements and maintaining accountability for assets.

We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted at which comments from all interested persons concerning the budget are heard. The budget is legally enacted by the City Council through passage of an ordinance.

Appropriations are legally adopted at the department level for the General Fund and Debt Service Fund on a basis consistent with generally accepted accounting principles. Budgetary controls are maintained at the major category of expenditure level. All anticipated expenditures are budgeted for control purposes. Encumbrances are used for managerial control through the year. Budget appropriations and encumbrances other than project appropriations lapse at the end of the fiscal year.

## FINANCIAL PRACTICES

The City adheres to the following financial and managerial practices:

1. Prudent budgeting and effective budget control. Budgeting replacement of capital equipment as the need arises (office machines, automobiles, heavy equipment, etc.).
2. Prudent use of federal funds when available.
3. Pay-as-you-go financing of capital improvements where feasible.
4. Scheduling bond issues so that retirements over the life of the issues produce a total debt service schedule with a declining balance.
5. Plan capital improvements on a five-year plan, updated annually.
6. Passing a share of the cost of extending utilities and improvements in subdivisions to property owners of the subdivisions rather than to the general public.

7. Providing working capital in all funds sufficient to meet current operating needs.
8. Protection of investment principal, including required pledging of collateral to protect deposits within our depository bank.
9. Accounting and reporting in accordance with methods prescribed by the Governmental Accounting Standards Board (GASB), and making such reports available to bond rating agencies and other financially interested organizations.

### MAJOR INITIATIVES

Service to the citizenry is a priority of governments. Maintaining and improving infrastructure and quality of life are a large part of that service. Construction of Fire Station #10 was approximately 80% complete at September 30, 2014. The Municipal Court Building Project was funded and selection of the Architect and Construction Manager at Risk was established. The Radio System Upgrade Project was over half way complete. The Enterprise Resource Program Project began with the first phase percentage purchase of the Munis Financial System and Entergov code permit software. The design phase began for the Tradewinds Boulevard for the construction, associated drainage and utility improvements between Thomason and the Gateway Plaza. The mill and overlay project that was established in 2013 was 99 percent complete and the 2014-2015 Mill and Overlay project was 30% complete by September 30, 2014. The water and waste water and fire hydrant project that began late FY 2013 was complete at the end of FY 2014. The Landfill cell 7 project was 98% complete. The International Air and Space Port substantially completed their terminal vehicle parking expansion and the commercial Space Launch site application license was granted for the Spaceport.

### GENERAL GOVERNMENTAL FUNCTIONS

All eligible property within the City is subject to assessment, levy, and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. According to Article V, Section 2, of the City Charter, the maximum tax levy is \$2.00 per \$100.00 of assessed valuation, which includes debt service. Based upon an assessed valuation of 100% of market valuation, the tax rate for Fiscal Year 2014 was established at 43.1927 cents per \$100.00 of assessed valuation.

A comparison of tax rates, together with allocations to the General Fund and the Debt Service Fund are as follows:

Roll Year	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Fiscal Year	14/15	13/14	12/13	11/12	10/11
General Fund	\$ .337480	\$ .385719	\$ .404049	\$ .41845	\$ .41719
Debt Service	<u>.056411</u>	<u>.046208</u>	<u>.057039</u>	<u>.05209</u>	<u>.05566</u>
Total	<u>\$ .393891</u>	<u>\$ .431927</u>	<u>\$ .461088</u>	<u>\$ .47054</u>	<u>\$ .47285</u>

The City sales tax rate is 1%. Sales taxes are collected by the State of Texas (the State) and remitted to the City monthly. This source of revenue amounted to \$44,776,484, which was an increase of 14.7% from the prior fiscal year. Sales tax receipts are expected to remain stable. Gross receipt taxes include franchise taxes levied on the electric, gas, telephone, water, sanitation, and cable television utilities. A hotel occupancy tax partially funds the operation of the Midland Center, also funding economic development and promotion of tourism. The hotel occupancy tax was particularly strong during 2014, an increase of 12.9% from the prior fiscal year.

### DEBT ADMINISTRATION

The City's strong, positive, and responsive management is reflected by the fact the City has maintained its strong ratings through the challenges of changing economies. The City of Midland debt obligations issued in 2014 were 29 million tax and limited pledge revenue certificates of obligation (COs), series 2014 and a 3.9 million general obligation (GO) refunding bonds, series 2014 both issues received a rating of AAA and AA+ by Fitch Rating Service and Standard & Poor's Moody's Investors Service, respectively. During 2014, both Fitch Rating Service and Standard & Poor's reaffirmed the underlying rating on the City's general obligation debt at AAA and AA+, respectively.

The City of Midland has never defaulted on any required debt payment or other debt obligation. Additional information regarding bonded debt is presented in the supplementary information in the statistical tables.

The following summary represents the ratings currently assigned to the City of Midland debt obligations by the major rating agencies:

	<u>Fitch Rating Service</u>	<u>Standard &amp; Poor's</u>
General Obligation Bonds	AAA	AA+

### FISCAL RESPONSIBILITIES

The City adheres to a policy of a balanced budget and careful and conservative management of the City's resources, primarily on a pay-as-you-go basis. Because of this, the City has maintained and will maintain a strong financial condition for the benefit of its citizens.

### AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Midland, Texas, for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the twenty-eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual

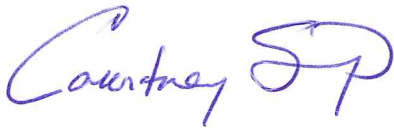
financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report, and the maintenance of the records upon which it is based, required the services and cooperation of the staff of the Accounting Division, together with assistance from other departments and divisions of the City, and the assistance of the City's independent auditors. All of these efforts are greatly appreciated.

We also wish to thank the Mayor and members of the City Council for their responsible manner of conducting the financial operations of the City.

Respectfully submitted,



Courtney Sharp  
City Manager



Pam Simecka  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

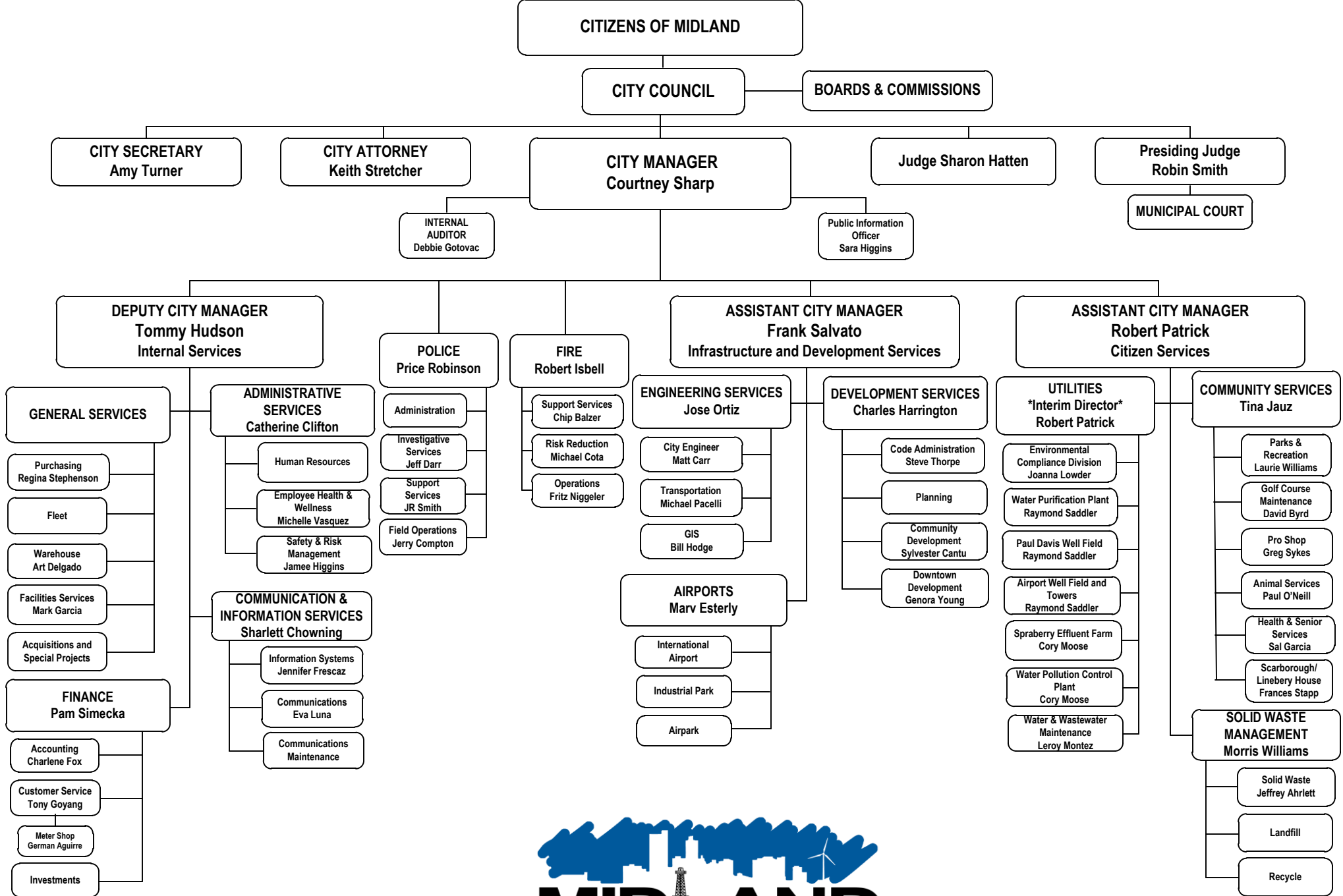
**City of Midland  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director/CEO



CITY OF MIDLAND  
PRINCIPAL OFFICIALS

CITY COUNCIL

The Honorable Jerry F. Morales ..... Mayor  
A. Scott Dufford ..... At Large ..... Council Member  
Spencer Robnett ..... At Large ..... Council Member  
W. Jeffrey Sparks ..... District 1 ..... Council Member  
John B. Love III ..... District 2 ..... Mayor Pro Tem  
Sharla Hotchkiss ..... District 3 ..... Council Member  
J. Ross Lacy ..... District 4 ..... Council Member

OTHER PRINCIPAL OFFICERS

Courtney B. Sharp ..... City Manager  
Tommy T. Hudson ..... Deputy City Manager  
Robert Patrick ..... Assistant City Manager  
Keith Stretcher ..... City Attorney  
Amy M. Turner ..... City Secretary  
Price Robinson ..... Chief of Police  
Robert Isbell ..... Fire Chief  
Pam Simecka ..... Director of Finance  
Tina Jauz ..... Director of Community Services  
Marv Esterly ..... Director of Airports  
Holly McGrath Rosas ..... Interim Director of Utilities  
Morris Williams ..... Director of Solid Waste Management  
Chuck Harrington ..... Director of General Services

2013-2014 9/30/14





KPMG LLP  
Suite 3100  
717 North Harwood Street  
Dallas, TX 75201-6585

## **Independent Auditors' Report**

The Honorable Mayor, City Council, and City Manager  
City of Midland, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midland, Texas (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midland, Texas, as of September 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in note 1 to the basic financial statements, the City adopted Governmental Accounting



Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 13–28 and 101–106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, statistical section, and supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, statistical section, and supplemental section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**KPMG LLP**

Dallas, Texas  
March 20, 2015

CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)

As management of the City of Midland, Texas (City of Midland or City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City of Midland for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City of Midland exceeded its liabilities at the close of the most recent fiscal year by \$500.8 million (net position). Unrestricted net position of \$147.2 million, a decrease of \$25.1 million from the prior year, may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Midland governmental activities reported combined net position of \$187.4 million, an increase of \$28.1 million in comparison with the prior year. Approximately 33.9% of this total amount, \$63.6 million, is available for spending at the government's discretion (unrestricted net position).
- As of September 30, 2014, unassigned fund balance for the General Fund was \$39 million, or 39.6% of total General Fund expenditures. At the close of the prior fiscal year, unassigned fund balance for the General Fund was \$44.3 million or 45.5% of that year's expenditures.
- The government's business-type activities total net position increased from \$296 million in Fiscal Year 2013 to \$313.4 million in the current year, a change of 5.9%. Factors in this change were \$8.9 million in water and sewer capital contributions, \$7.4 million net revenues in sports complex activities and \$4.1 million in airport grants and contributions.
- The City of Midland's total debt increased by \$53.6 million during the current fiscal year. The source of this increase was the issuance of \$26.2 million certificates of obligation, 3.8 million general obligation refunding bonds, and a \$30 million capital lease agreement with the Midland County Fresh Water District. Other factors included a net change in debt premium of \$3 million and \$0.9 million reclassification of loss on refunding. Principal payments of \$10.3 million partially offset these increases.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Midland's basic financial statements. The City of Midland's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

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Government-wide Financial Statements

The statement of net position presents information on all of the City of Midland's assets and outflows of resources, and liabilities and inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Midland is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Midland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Midland include general government, development services, engineering, community services, police and fire. The business-type activities of the City of Midland include airport, water and sewer, sanitation, sports complex and golf course operations.

The government-wide financial statements include not only the City of Midland itself (known as the primary government), but also legally separate development corporations for a sports complex, economic development and spaceport development for which the City of Midland is financially accountable or can impose its will. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Midland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Midland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

1. Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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Fund Financial Statements (continued)

1. Governmental Funds (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Midland maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Debt Service Fund, both of which are considered to be major funds. Data from the other 20 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

2. Proprietary Funds

The City of Midland maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Midland uses enterprise funds to account for its airport, water and sewer, sanitation, sports complex and golf course operations. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City of Midland's various functions. The City of Midland uses internal service funds to account for its warehouse, garage, technology equipment and support, and three self-insurance funds. Because the warehouse services predominantly benefit business-type rather than governmental functions, the Warehouse Fund has been included within business-type activities in the government-wide financial statements. The remaining internal service funds predominantly benefit governmental rather than business-type functions and have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The Proprietary fund financial statements provide separate information for the Airport Fund, the Water and Sewer Fund, the Sanitation Fund and for the Scharbauer Sports Complex Fund, each of which is considered to be a major fund of the City of Midland.

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Fund Financial Statements (continued)

2. Proprietary Funds (continued)

Although it does not meet the criteria for a major fund, the Golf Course Fund is also presented separately since it is the only remaining enterprise fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Midland's progress in funding its obligation to provide pension benefits to its employees, other postemployment benefits, and budgetary comparison schedules. The City of Midland adopts annual appropriated budgets for its General and Debt Service funds. A budgetary comparison schedule is presented as required supplementary information for the General Fund to demonstrate budgetary compliance.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Midland, assets exceeded liabilities by \$500.8 million at the close of the most recent fiscal year and by \$456.3 million at the close of the previous fiscal year.

By far the largest portion of the City of Midland's net position, 65.8%, reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Midland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Midland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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Government-wide Financial Analysis (continued)

Table 1  
City of Midland's Net Position  
(In Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
Current and other assets	\$ 161,038	\$ 125,745	\$ 125,470	\$ 113,977	\$ 286,508	\$ 239,722
Capital assets	135,041	111,053	532,556	498,243	667,597	609,296
Total assets	296,079	236,798	658,026	612,220	954,105	849,018
Deferred outflows of resources	22	2	857	1,101	879	1,103
Long-term liabilities outstanding	88,905	63,597	332,405	302,589	421,310	366,186
Other liabilities	19,773	13,928	13,104	14,775	32,877	28,703
Total liabilities	108,678	77,525	345,509	317,364	454,187	394,889
Net position:						
Net investment in capital assets	108,777	95,068	220,763	216,897	329,540	311,965
Restricted	15,059	12,754	9,026	8,473	24,085	21,227
Unrestricted	63,587	51,453	83,585	70,587	147,172	122,040
Total net position	<u>\$187,423</u>	<u>\$159,275</u>	<u>\$ 313,374</u>	<u>\$ 295,957</u>	<u>\$500,797</u>	<u>\$455,232</u>

The restricted portion of the City of Midland's net position, \$24.1 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$147.2 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Midland is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position, at September 30, increased \$45.6 million during the current fiscal year. Net position of governmental activities increased \$28.2 million and the net position of business-type activities increased \$17.4 million. The increase in governmental activities net position is the product of increased revenue from property taxes, sales taxes, hotel-motel taxes and grants and contributions offsetting an increase in levels of expenses. The increase in the net position of business type activities is attributable to contributions, grants received, assets contributed by developers, and an increase in charges for services and payments received due to the growth in sales tax.

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Government-wide Financial Analysis (continued)

Table 2  
City of Midland's Changes in Net Position  
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013 (Restated)	2014	2013 (Restated)	2014	2013 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 11,966	\$ 11,969	\$ 96,408	\$ 83,107	\$ 108,374	\$95,076
Operating grants and contributions	1,711	2,163	2	63	1,713	2,226
Capital grants and contributions	10,066	8,532	13,022	7,950	23,088	16,482
General revenues:						
Property taxes	39,005	36,442	-	-	39,005	36,442
Sales taxes	44,776	39,046	-	-	44,776	39,046
Other taxes	20,016	17,767	-	-	20,016	17,767
Other	1,696	(1,002)	846	(773)	2,542	(1,775)
Total revenues	<u>129,236</u>	<u>114,917</u>	<u>110,278</u>	<u>90,347</u>	<u>239,514</u>	<u>205,264</u>
Expenses:						
General government:						
Administration	1,842	1,703	-	-	1,842	1,703
Support services	13,383	13,414	-	-	13,383	13,414
Fiscal management	2,197	2,307	-	-	2,197	2,307
Other	7,282	5,220	-	-	7,282	5,220
Development services	4,050	3,834	-	-	4,050	3,834
Engineering	14,100	12,322	-	-	14,100	12,322
Community services	10,959	11,397	-	-	10,959	11,397
Police	25,341	25,828	-	-	25,341	25,828
Fire	24,163	24,515	-	-	24,163	24,515
Interest on long-term debt	1,955	1,272	-	-	1,955	1,272
Airport	-	-	9,592	9,367	9,592	9,367
Water and sewer	-	-	61,679	48,134	61,679	48,134
Sanitation	-	-	10,453	11,310	10,453	11,310
Sports complex	-	-	4,665	4,364	4,665	4,364
Golf course	-	-	2,288	2,204	2,288	2,204
Total expenses	<u>105,272</u>	<u>101,812</u>	<u>88,677</u>	<u>75,379</u>	<u>193,949</u>	<u>177,191</u>
Increase/(decrease) in net position before transfers	23,964	13,105	21,601	14,968	45,565	28,073
Transfers	4,184	4,079	(4,184)	(4,079)	-	-
Increase in net position	<u>28,148</u>	<u>17,184</u>	<u>17,417</u>	<u>10,889</u>	<u>45,565</u>	<u>28,073</u>
Net position - October 1	<u>159,275</u>	<u>142,091</u>	<u>295,957</u>	<u>285,068</u>	<u>455,232</u>	<u>427,159</u>
Net position - September 30	<u>\$187,423</u>	<u>\$159,275</u>	<u>\$313,374</u>	<u>\$295,957</u>	<u>\$500,797</u>	<u>\$455,232</u>



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Governmental Activities

Table 3  
City of Midland's General Revenues  
(in Thousands)

	2014	2013	Increase (decrease)
Property taxes	\$39,005	\$36,442	\$2,563
Sales taxes	44,776	39,046	5,730
Gross receipts taxes	12,733	11,427	1,306
Hotel/motel taxes	6,513	5,769	744
Other taxes	770	571	199
Unrestricted investment earnings	1,559	(1,088)	2,647
Miscellaneous	137	86	51
Total general revenues	<u>\$105,493</u>	<u>\$92,253</u>	<u>\$13,240</u>

The City's general revenues provided \$105.5 million, an increase of \$13.2 million from fiscal year 2013, to fund the costs associated with activities that are not self-supporting. It is anticipated that governmental activities will not be self-supporting and be paid for through general revenues.

Revenues for governmental activities were \$129.2 million, excluding transfers from other funds of \$4.2 million, and were used to pay for expenses associated with governmental activities of \$105.3 million. This is compared with revenues in Fiscal Year 2013 for governmental activities of \$114.9 million, excluding transfers from other funds of \$4.1 million, paying for governmental activities of \$101.8 million in that year.

The primary sources of revenue for governmental activities are taxes, fees, investment earnings and grants and contributions. During fiscal year 2014, property taxes generated \$39 million, an increase of \$2.6 million over the previous year, and were derived from a property tax base of \$8.838 billion, up from \$7.721 billion the previous year, combined with a property tax rate of 43.1927 cents per hundred dollars valuation, a decrease of 0.029161 cents from the previous year. An economy affected by higher oil prices generated sales taxes of \$44.8 million, an increase from the previous year of \$5.7 million. Gross receipts taxes, or franchise fees, contributed \$12.7 million to operations. Operating grants and contributions provided \$1.7 million, while capital grants and contributions provided another \$10.1 million. Developer contributions comprised \$9.3 million, or 95%, of the total capital contributions. Investment income provided \$1.6 million, an increase of \$2.6 million. This was due to an increase in the fair value of investments as of September 30.

The most significant expenses of governmental activities are those associated with providing police protection, fire protection, engineering, development services, community services and the support services necessary to provide these services. Police protection, \$25.3 million, and fire protection, \$24.2 million, represent a combined 47% of all governmental activities expenses

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Governmental Activities (continued)

this year, a decrease of \$.8 million from the previous year. Other postemployment benefits accounts for \$0.9 million of the police and fire costs.

Engineering, \$14.1 million, followed by support services for all City functions, \$13.4 million, and community services, \$11 million, are the largest governmental activities expenses outside of public safety related costs. The governmental activities expenses were funded with \$12 million charged for services rendered, \$1.7 million received as operating grants and contributions, and \$109.7 million in general revenues and transfers. During Fiscal Year 2013, support services for all City functions, \$13.4 million, followed by the engineering, \$12.3 million, and community services, \$11.4 million were the largest governmental activities expenses outside of public safety related costs. The governmental activities expenses for Fiscal Year 2013 were funded with \$12 million charged for services rendered, \$2.2 million received as operating grants and contributions, and \$96.3 million in general revenues and transfers.

Business-Type Activities

Fiscal Year 2014 revenues of business-type activities contributed \$110.3 million to the operations of the City of Midland. Expenses of these activities were \$88.7 million before transfers of \$4.2 million, resulting in an increase to the City's net position of \$17.4 million from business-type activities. Fiscal Year 2013 revenues of business-type activities contributed \$87.1 million to the operations of the City of Midland. Fiscal Year 2013 expenses of these activities were \$72.1 million before transfers of \$4.1 million, resulting in an increase to the City's net position of \$10.9 million from business-type activities.

Charges for services for business-type activities increased 16%. Water and Sewer revenue accounts for the largest portion of this increase. An increase in the number of water and sewer customer accounts and rate increases contributed to a revenue increase of \$8 million from the previous year. The Airport increase of \$3.2 million was related to parking revenues, building rentals and an oil and gas lease bonus. Scharbauer Sports Complex had an increase of \$1.5 million from the previous year in contractual revenue based on sales tax receipts. Sanitation and Golf Course provided the remainder of business-type activity charges for services.

Grants and contributions, \$13 million, and investment earnings, \$0.8 million, were the other components of business-type activity revenue for the City. During Fiscal Year 2013, these two revenue streams were \$8 million and \$0.8 million, respectively. The increase in grants and contribution revenues during Fiscal Year 2014 is related to the contributed infrastructure due to housing development. The \$1.6 million increase in investment earnings during Fiscal Year 2014 is a result of a net increase in the fair value of investments.

Expenses of business-type activities were less than combined revenues and grants. The Water and Sewer system had \$61.7 million in expenses, prior to \$2.2 million in transfers, Airport expenses were \$9.6 million, and Sanitation had \$10.5 million in expenses. Expenses were \$4.7 million and \$2.3 million, respectively, for the Scharbauer Sports Complex and Golf Course. Net position of the Airport, Sanitation and Sports Complex activities increased from Fiscal Year 2013.

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Financial Analysis of the Government's Funds

As noted earlier, the City of Midland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

1. Governmental Funds

The focus of the City of Midland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Midland's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Midland's governmental funds reported combined ending fund balance of \$122.4 million, an increase of \$26.2 million in comparison with the prior year. Approximately 31.9% (\$39 million) of this total amount constitutes unassigned fund balance and is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has already been 1) restricted by specific legal requirements, such as by debt covenants or other purposes (\$44.7 million), 2) committed and assigned to pay for specific types of expenditures (\$37.8 million), 3) nonspendable – prepayments or advances (\$0.9 million).

The General Fund is the chief operating fund of the City of Midland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$39 million, compared with \$44.3 million last year, while 2014 total fund balance increased to \$69.6 million from \$58.9 million in 2013. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance currently represents 39.6% of total General Fund expenditures, down from 45.5% in 2013, while total fund balance represents 70.6%, compared with 60.5% in 2013, of that same amount.

Fund balance of the City of Midland's General Fund increased \$10.8 million during the current fiscal year. Key factors in this increase are as follows:

Sales tax receipts, which are driven by numerous economic conditions, were up \$5.7 million in accordance with the growth in the local economy, largely due to higher oil prices. Ad valorem tax revenues increased \$2.7 million due to an increased property valuation base which offset a rate decrease of \$0.029161 per hundred dollar valuation.

Expenditures in total were \$2.3 million more than original budget. Capital project expenditures not in the original budget accounted for \$7 million in increases to the budget. A major component offsetting these increases was \$4.33 million

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Financial Analysis of the Government's Funds (continued)

1. Governmental Funds (continued)

budgeted for mill and overlay that was transferred to a multi-year capital project.

Detail of these expenditures by activity is listed in the General Fund Budgetary Highlights below.

The total fund balance for the Debt Service Fund is \$0.5 million, all of which is restricted for the payment of debt service.

2. Proprietary Funds

The City of Midland's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$41.1 million, a decrease of \$0.9 million from 2013. The change in Water and Sewer total net position was a decrease of \$0.5 million. An increase in the number of water customer accounts and rate increases had an impact on water revenue, which was \$6 million higher than last year. Expenditures associated with the purchase of water, however, increased \$1.2 million. Capital contributions of \$8.9 million also contributed to the increase in total net position.

Airport Fund unrestricted net position amounted to \$6.1 million, up from \$4 million in Fiscal Year 2013. Airport Fund net investment in capital assets, increased by \$3.0 million, and total net position increased \$5.5 million. The Airport received \$4.1 million in capital and operating grants. It also received a \$1.5 million lease bonus for an oil and gas lease on airport land.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$0.9 million, up from (\$2.7) million in 2013. Sanitation Fund net investment in capital assets, increased by \$0.2 million. The resulting change in total net position of \$3.7 million is mainly attributable to the additional tonnage accepted at the Municipal Solid Waste Facility due to the expanding population base.

The Scharbauer Sports Complex Fund unrestricted net position increased by \$6.2 million and total net position increased by \$7.5 million compared with the prior fiscal year. The Sports Complex Development Corporation contract revenue, which is a result of sales tax revenue to this component unit of the City of Midland, exceeded the payments for debt service by \$9.2 million.

Unrestricted net position of the Golf Course Fund at the end of the year amounted to (\$0.1) million, a decrease of \$0.1 million from the previous fiscal year.

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Financial Analysis of the Government's Funds (continued)

2. Proprietary Funds (continued)

Other factors concerning the finances of these five funds have already been addressed in the discussion of the City of Midland's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a increase in appropriations of \$4.1 million and can be briefly summarized, in millions of dollars, as follows:

- \$ 1.736 increases allocated to general government activities
- \$ (0.058) decreases allocated to development services
- \$ (0.039) decreases allocated to engineering
- \$ 0.049 increases allocated to community services
- \$ 1.125 increases allocated to the police department
- \$ 2.044 increases allocated to the fire department
- \$ ( 0.770) decreases allocated to other

General fund in total had personnel budget increases of \$2.2 million, related to increases for a one-time 5% pay increase and overtime net of budget reductions in various departments related to open positions. In addition to personnel, general government increased budgets \$1.1 million in multi-year projects. Development services had decreases in contractual services. Decreases in engineering were related to both open positions and hire or equipment. The increase of \$1.1 million in the police department is attributable in part to \$0.8 million additional personnel costs and \$0.4 million for various grant-related projects. Reduced costs for lodging prisoners (\$0.5 million), which were not estimable at September 30 due to changes in the contract with Midland County also had an impact. Increased personnel costs of \$2.2 million caused the necessary budget adjustments in the fire department. There were also reallocations of original budget amounts among the various activities, including minor capital projects that had a zero dollar net effect.

With the adjustments made during Fiscal Year 2014, the actual-on-a-budgetary-basis expenditures were \$98.7 million, \$97.5 million in Fiscal Year 2013, compared to the re-estimated budget amount of \$100.4 million, \$97.6 million in Fiscal Year 2013.

The City of Midland has an actual-on-a-budgetary-basis General Fund balance of \$69.6 million as of the fiscal year-end (\$58.9 million in Fiscal Year 2013), compared with the re-estimated budget fund balance of \$49.3 million (\$51.1 million in Fiscal Year 2013). The variance in the fund balance is due to the fact that the City of Midland does not adjust budget estimates for revenue items.

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Capital Assets and Debt Administration

Capital Assets

The City of Midland's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$667.6 million (net of accumulated depreciation), \$609.3 million (net of accumulated depreciation) at September 30, 2013. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and highways, water lines, and drainage improvements. Capital asset detail can also be found in the notes to the financial statements, note 6.

Table 4  
Capital Assets at September 30, 2014  
(Net of Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,675	\$ 6,269	\$ 14,353	\$ 13,231	\$ 21,028	\$ 19,500
Buildings	21,744	18,447	33,701	33,726	55,445	52,173
Improvements other than buildings	6,554	6,407	52,839	44,489	59,393	50,896
Machinery and equipment	25,613	19,173	3,194	3,747	28,807	22,920
Infrastructure	70,482	57,860	422,308	391,232	492,790	449,092
Other	1,288	1,521	2,034	1,365	3,322	2,886
Construction in progress	2,685	1,376	4,127	10,453	6,812	11,829
Totals	<u>\$ 135,041</u>	<u>\$ 111,053</u>	<u>\$ 532,556</u>	<u>\$ 498,243</u>	<u>\$ 667,597</u>	<u>\$ 609,296</u>

Major capital assets events during the current fiscal year included the following:

Facilities – The Fire Station #10 building project accounted for \$3.9 million of building construction costs and was substantially complete during fiscal year 2014.

Communications - The Radio System Upgrade project accounted for a \$3.9 million purchase of radio equipment through fiscal year 2014.

Engineering – Several street infrastructure projects including several street paving work projects were completed. Major expenditures included Lamesa Road Paving and Drainage, the Mill and Overlay projects, Mockingbird extension and Avalon Drive paving.

Airport – The Terminal Vehicle Parking expansion project was 90% complete at \$1.8 million.

Utilities – Various Upgrades included the Raw water project, MBR Satellite Reclaimed Water Production Facility, and the SCADA engineering services project. Also the City entered into a capital lease agreement with Midland County Fresh Water Supply District No. 1 referred to as the Clearwater Ranch Groundwater for \$30 million.

Sanitation – The landfill cell 7 project was complete at approx. \$6.1 million during fiscal year 2014.

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Capital Asset and Debt Administration (continued)

Long-Term Debt

At the end of the current fiscal year, the City of Midland had total general obligation bond debt outstanding of \$144.0 million. Of this amount, \$59.5 million is general government debt, \$59.4 million supported through the interest and sinking fund levy on property taxes and \$0.1 million supported by Water and Sewer system revenues. Business-type activity debt is supported by Water and Sewer system revenues, \$61.1 million in bond debt and \$229.6 million in capital lease obligation. The Golf Course revenues, \$2.1 million, a combination of Airport revenues and Airport passenger facility charges, \$3.1 million, and a contract with the Midland Football/Soccer and Baseball Development Corporation, \$18.3 million are all bonded debt.

Table 5  
Outstanding Bonded Debt, at Year-end  
( in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Certificates of Obligation serviced by tax revenues	\$ 59,406	\$ 35,212	\$ -	\$ -	\$ 59,406	\$ 35,212
Notes Payable	100	195	-	-	100	195
Certificates of Obligation serviced by Enterprise Funds revenues	-	-	63,053	63,316	63,053	63,316
General Obligation Bonds serviced by Enterprise Funds revenues	-	-	21,500	24,037	21,500	24,037
Capital Lease Obligation	-	-	229,630	197,320	229,630	197,320
	<u>\$ 59,506</u>	<u>\$ 35,407</u>	<u>\$ 314,183</u>	<u>\$ 284,673</u>	<u>\$ 373,689</u>	<u>\$ 320,080</u>

The City of Midland's general obligation debt increased by \$53.6 million during the current fiscal year. The issuance of \$26,180,000 of City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 and a new \$30 million capital lease contract with Midland County Freshwater District were the source of this increase. Debt serviced by tax revenues increased by \$24.1 million and debt serviced by Enterprise Fund revenues increased by \$29.5 million. The City maintains AAA rating with Fitch Ratings, Inc. and AA+ rating with Standard & Poor's on tax-supported debt.

The City of Midland carefully plans debt acquisition to fund only capital replacement and new construction. This process includes matching the maturity of the debt to the useful lives of the assets to be funded, as closely as possible. This allows for the use of debt to compliment operations by allowing for matching the cash flows of asset cost to the period deriving the benefit from the asset.

Additionally, this allows the City to plan for and structure debt payments in such a manner that debt service tends to be generally declining across the years creating a known, decreasing demand upon resources for debt service and limiting the demand

CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)

Capital Asset and Debt Administration (continued)

Long-Term Debt (continued)

upon resources to a managed level. As a result of the development and refinement of this process, the impact of current debt upon present and future operations is minimized and annual operations can be based upon a known level of expendable, available resources to respond to the immediate needs of the City.

The Constitution and Statutes of the State of Texas and the Charter of the City of Midland do not provide for a legal debt limit. However, the 8% debt limit rate used to calculate debt margin of \$573.4 million has been adopted by the City Council as a safe debt limit.

Additional information concerning the City's long-term debt may be found in note #9 in the Notes to Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The budgetary process for Fiscal Year 2015 focused on the allocation of limited resources to maintenance of the current level of City services. The combined property tax rate was decreased to 39.3891 cents per \$100 valuation, compared with a rate of 43.1927 in Fiscal Year 2014. The budget presented for all City operations for the 2015 fiscal year totals \$244.8 million. This is a 10.77% increase from the Fiscal Year 2014 budget of \$221 million.

The Fiscal Year 2015 operating budget is supported by combined revenues of \$224.9 million, up \$19.5 million from budgeted Fiscal Year 2014. Sales tax revenue and water and sewer revenue reflect the largest amount of increase over fiscal year 2014, at \$5.6 million and \$9.6 million, respectively. Other major components of this increase include \$2.9 million in property tax revenue and \$2.5 million increase in Sports Complex contractual revenue related to increased sales tax revenues.

The Sanitation fund revenue has increased by \$0.8 million. The increase in revenue is because of an increase in the demand for services.

Total General Fund revenues for Fiscal Year 2015 are budgeted at \$105.4 million, an increase of \$6.2 million from budgeted Fiscal Year 2014 revenues. Factors impacting the budget include increases of \$5.6 million in sales tax revenue and \$1.2 million in property tax revenue.

The increase in budgeted sales tax revenue is driven by numerous economic conditions. These receipts were up in accordance with a growing economy in Fiscal Year 2014. The growth of new businesses in the City and an increasing population also generated a positive influence. The increased collections from property taxes are the result of a larger property tax base offset by a decrease in the maintenance and operations property tax rate to 33.7480 cents per \$100 valuation, compared with a rate of 38.5719 in Fiscal Year 2014. Gross receipts taxes are calculated as a percentage of revenue for various utilities. As the revenues increase or decrease, so do the associated franchise fees.



CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)

Economic Factors and Next Year's Budgets and Rates (continued)

The expenditures budget for the General Fund is \$105.4 million. This yields a balanced budget for the 2015 fiscal year. The General Fund Unappropriated Fund Balance at its current level in relation to expenditures is essential for bond ratings, self-insurance considerations, disaster recovery and major economic or regulatory changes.

The Water and Sewer Fund revenues are estimated to increase by 19.5% from budgeted 2013 – 2014 revenues. This increase is based upon more water consumption due to population increase and a rate increase as of October 2014. T-Bar came on line December 2013 and Clear Water well field came on line November 2014, both increasing the amount of water available to sell. Annual water and sewer revenues do not provide adequate cash flow for the fund.

Water and Sewer Fund expenses are budgeted to increase \$9.6 million, 16.5%, from the previous fiscal year. The increase included \$5.2 million for infrastructure improvements. The other increases were in personnel costs, chemicals, debt service, depreciation and expense on capital leases.

Sanitation Fund revenues are estimated to increase by 5.7% during fiscal year 2014-2015. This increase is based upon consideration of several factors, including increased customer numbers, an 11.1% increase in landfill charges revenue, 33.3% increase in haulers permit fee revenue and a 60.0% increase in landfill access revenue. Revenues generated should provide adequate cash flow to meet the operating needs of the fund and provide for small capital expenditures.

Expenses of this fund are budgeted to increase 6.4% from the previous year. The largest components of increase are in personnel costs and contractual services. A portion of the landfill costs result from unfunded, federally mandated regulations and are mainly reflected in depreciation of capitalized costs and landfill closure costs.

Golf Course revenues are budgeted at \$2.2 million, reflecting a 10% decrease compared to fiscal year 2014 budgeted revenues. The reduction is due only having 18 of our 36 hole golf course open for seven months due to construction.

The Golf Course Player Facility Charge (GPFC) is currently \$3.75 per round. One dollar of this amount is being used to assist with debt service costs associated with construction of the additional nine holes and expansion of other golf course facilities. The remaining \$2.75 is being used to pay for costs associated with a new irrigation system and other course improvements of \$2.1 million. The GPFC revenue is not available for general golf course operations and is not reflected in the revenue estimates.

Budgeted Airport Fund revenues reflect a \$2.8 million decrease, due to eliminating the estimate for governmental grants for the budget. Airport Passenger Facility Charge revenues to be used in capital construction projects and the repayment of a major portion of the debt issued for construction of the new terminal building at the airport are not included in this total due to use restrictions.

CITY OF MIDLAND, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2014  
(Unaudited)

Economic Factors and Next Year's Budgets and Rates (continued)

Budgeted Airport expenses are expected to increase \$0.9 million or 7.5% mainly due to depreciation expense. A reimbursement of \$1.5 million was budgeted to the General Fund for the cost of Fire and Police personnel assigned to the Airport, as well as other administrative costs. This charge was based upon a cost allocation study prepared by DMG Maximus in accordance with Office of Management and Budget Circular A-87 (OMB A-87).

The Scharbauer Sports Complex Fund was established to account for all facets of the operations of the Scharbauer Sports Complex. Fiscal Year 2015 revenues of \$6.5 million are budgeted to cover expenses of \$8.4 million, after consideration of \$1.9 in depreciation expense.

Request for Information

This financial report is designed to provide a general overview of the City of Midland's finances for all those with an interest in the government's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Midland, P.O. Box 1152, 300 N. Loraine, Midland, TX 79702-1152.

**CITY OF MIDLAND, TEXAS**  
**Statement of Net Position**  
**September 30, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Sports Complex Development	Midland Development Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 53,918,242	\$ 60,685,416	\$ 114,603,658	\$ -	\$ 25,611,455
Investments	50,325,351	34,525,614	84,850,965	-	-
Receivables (net of allowance for uncollectibles)	12,824,780	9,327,981	22,152,761	2,080,418	2,080,418
Interest receivable	139,499	105,560	245,059	-	-
Due from component unit	-	2,080,418	2,080,418	-	-
Due from primary government	-	-	-	-	9,342,000
Internal balances	(2,509,778)	2,509,778	-	-	-
Inventories	423,593	390,463	814,056	-	-
Prepaid items and other assets	62,785	32,684	95,469	-	-
Notes receivable	-	544,988	544,988	-	2,480,000
Investment in joint venture	69,864	-	69,864	-	-
Restricted assets:					
Cash and cash equivalents	37,107,396	10,920,020	48,027,416	-	-
Investments	8,651,512	4,209,673	12,861,185	-	-
Interest receivable	24,265	5,168	29,433	-	-
Accounts receivable	-	132,334	132,334	-	-
Capital assets not being depreciated:					
Land	6,675,074	14,353,216	21,028,290	-	4,424,753
Construction in progress	2,684,704	4,126,603	6,811,307	-	6,211,048
Capital assets net of accumulated depreciation:					
Buildings	21,743,797	33,701,178	55,444,975	-	-
Improvements other than buildings	6,554,111	52,838,816	59,392,927	-	124,107
Machinery and equipment	25,612,903	3,194,573	28,807,476	-	14,352
Infrastructure	70,482,323	422,307,628	492,789,951	-	398,357
Intangible and other	1,288,349	2,033,635	3,321,984	-	-
<b>Total assets</b>	<b>296,078,770</b>	<b>658,025,746</b>	<b>954,104,516</b>	<b>2,080,418</b>	<b>50,686,490</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>22,386</b>	<b>857,090</b>	<b>879,476</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	11,904,799	7,051,779	18,956,578	-	3,107,101
Customer deposits	-	2,996,617	2,996,617	-	-
Accrued interest payable	802,452	371,581	1,174,033	-	-
Due to primary government	-	-	-	2,080,418	-
Due to component unit	6,917,000	2,425,000	9,342,000	-	-
Unearned revenue	149,566	245,856	395,422	-	-
Liabilities payable from restricted assets	-	13,070	13,070	-	-
Noncurrent liabilities:					
Due within one year	8,224,201	6,706,349	14,930,550	-	15,000
Due in more than one year	80,680,749	325,698,696	406,379,445	-	23,371
<b>Total liabilities</b>	<b>108,678,767</b>	<b>345,508,948</b>	<b>454,187,715</b>	<b>2,080,418</b>	<b>3,145,472</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	108,776,537	220,763,273	329,539,810	-	11,172,617
Restricted for:					
Debt service	-	3,734,702	3,734,702	-	-
Public safety	923,395	-	923,395	-	-
Court	807,768	-	807,768	-	-
Buildings and renovations	1,889,959	-	1,889,959	-	-
Parks and recreation	609,361	-	609,361	-	-
Promotion of tourism and convention	10,492,237	-	10,492,237	-	-
Passenger facility improvements	-	5,291,519	5,291,519	-	-
Other purposes	336,493	-	336,493	-	17,763,252
Unrestricted	63,586,639	83,584,394	147,171,033	-	18,605,149
<b>Total net position</b>	<b>\$ 187,422,389</b>	<b>\$ 313,373,888</b>	<b>\$ 500,796,277</b>	<b>\$ -</b>	<b>\$ 47,541,018</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Sports Complex Development	Midland Development Corporation
<b>Primary government:</b>									
Governmental activities:									
General government:									
Administration	\$ 1,842,067	\$ 277,772	\$ -	\$ -	\$ (1,564,295)	\$ -	\$ (1,564,295)	\$ -	\$ -
Support services	13,383,244	289,637	-	295,000	(12,798,607)	-	(12,798,607)	-	-
Fiscal management	2,196,601	59,387	-	-	(2,137,214)	-	(2,137,214)	-	-
Other	7,281,999	-	-	250,000	(7,031,999)	-	(7,031,999)	-	-
Development services	4,049,615	3,867,182	711,482	-	529,049	-	529,049	-	-
Engineering	14,099,842	66,191	97,184	9,271,200	(4,665,267)	-	(4,665,267)	-	-
Community services	10,958,751	1,225,240	449,401	250,000	(9,034,110)	-	(9,034,110)	-	-
Police	25,341,332	4,348,819	366,173	-	(20,626,340)	-	(20,626,340)	-	-
Fire	24,163,432	1,832,028	86,482	-	(22,244,922)	-	(22,244,922)	-	-
Interest on long-term debt	1,955,205	-	-	-	(1,955,205)	-	(1,955,205)	-	-
Total governmental activities	<u>105,272,088</u>	<u>11,966,256</u>	<u>1,710,722</u>	<u>10,066,200</u>	<u>(81,528,910)</u>	<u>-</u>	<u>(81,528,910)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Airport	9,592,317	12,533,868	1,860	4,084,766	-	7,028,177	7,028,177	-	-
Water and sewer	61,678,752	54,261,913	-	8,937,253	-	1,520,414	1,520,414	-	-
Sanitation	10,453,364	15,234,536	378	-	-	4,781,550	4,781,550	-	-
Sports complex	4,664,912	12,050,902	-	-	-	7,385,990	7,385,990	-	-
Golf course	2,287,526	2,326,692	-	-	-	39,166	39,166	-	-
Total business-type activities	<u>88,676,871</u>	<u>96,407,911</u>	<u>2,238</u>	<u>13,022,019</u>	<u>-</u>	<u>20,755,297</u>	<u>20,755,297</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 193,948,959</u>	<u>\$ 108,374,167</u>	<u>\$ 1,712,960</u>	<u>\$ 23,088,219</u>	<u>(81,528,910)</u>	<u>20,755,297</u>	<u>(60,773,613)</u>	<u>-</u>	<u>-</u>
<b>Component units:</b>									
Sports Complex Development Corporation	\$ 11,198,271	\$ -	\$ 4,150	\$ -	-	-	-	(11,194,121)	-
Midland Economic Development Corporation	<u>13,136,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,136,704)</u>
Total component units	<u>\$ 24,334,975</u>	<u>\$ -</u>	<u>\$ 4,150</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,194,121)</u>	<u>(13,136,704)</u>
General revenues:									
Property taxes					39,005,229	-	39,005,229	-	-
Sales taxes					44,776,484	-	44,776,484	11,194,121	11,194,121
Gross receipts taxes					12,732,502	-	12,732,502	-	-
Hotel-motel taxes					6,512,643	-	6,512,643	-	-
Other taxes					770,432	-	770,432	-	-
Unrestricted investment earnings					1,558,324	845,612	2,403,936	-	6,633
Miscellaneous					137,184	-	137,184	-	212,967
Transfers					4,183,738	(4,183,738)	-	-	-
Total general revenues and transfers					<u>109,676,536</u>	<u>(3,338,126)</u>	<u>106,338,410</u>	<u>11,194,121</u>	<u>11,413,721</u>
Change in net position					<u>28,147,626</u>	<u>17,417,171</u>	<u>45,564,797</u>	<u>-</u>	<u>(1,722,983)</u>
Net position – beginning, as previously reported					159,593,186	296,694,327	456,287,513	-	49,264,001
Prior period adjustment (See Note 1.O.)					(318,423)	(737,610)	(1,056,033)	-	-
Net position – beginning					<u>159,274,763</u>	<u>295,956,717</u>	<u>455,231,480</u>	<u>-</u>	<u>49,264,001</u>
Net position – ending					<u>\$ 187,422,389</u>	<u>\$ 313,373,888</u>	<u>\$ 500,796,277</u>	<u>\$ -</u>	<u>\$ 47,541,018</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 37,857,922	\$ 255,815	\$ 40,716,917	\$ 78,830,654
Investments	37,958,581	251,335	12,411,711	50,621,627
Receivables (net of allowance for uncollectibles):				
Interest receivable	128,676	1,010	34,078	163,764
Property taxes	635,237	129,391	218,619	983,247
Sales taxes	8,321,672	-	-	8,321,672
Accounts receivable	1,665,494	1,709	1,083,875	2,751,078
Assessments receivable	511,617	-	-	511,617
Intergovernmental receivable	134,523	-	224,387	358,910
Prepaid items and other assets	42,785	-	-	42,785
Due from other funds	83,204	-	-	83,204
Advances to other funds	835,708	-	-	835,708
Total assets	<u>\$ 88,175,419</u>	<u>\$ 639,260</u>	<u>\$ 54,689,587</u>	<u>\$ 143,504,266</u>
Liabilities:				
Accounts payable	\$ 3,638,528	\$ -	\$ 1,076,049	\$ 4,714,577
Accrued payroll	3,010,470	-	-	3,010,470
Retainage payable	135,265	-	271,236	406,501
Due to other funds	-	-	83,204	83,204
Due to component unit	6,917,000	-	-	6,917,000
Unearned revenue	131,834	-	17,732	149,566
Other liabilities	2,326,558	-	3	2,326,561
Total liabilities	<u>16,159,655</u>	<u>-</u>	<u>1,448,224</u>	<u>17,607,879</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	<u>2,373,960</u>	<u>115,169</u>	<u>1,009,409</u>	<u>3,498,538</u>
Fund balances:				
Nonspendable:				
Prepayments	42,786	-	-	42,786
Advances	835,708	-	-	835,708
Restricted for:				
Debt service	-	524,091	-	524,091
Public safety	32,407	-	923,395	955,802
Court	186,375	-	807,768	994,143
Communications	-	-	6,135,384	6,135,384
Downtown	-	-	645,741	645,741
Buildings and renovations	-	-	7,702,263	7,702,263
Streets and drainage	-	-	12,573,988	12,573,988
Parks and recreation	-	-	4,515,547	4,515,547
Other purposes	-	-	10,609,948	10,609,948
Committed to:				
Buildings and renovations	13,939,714	-	-	13,939,714
Streets and drainage	10,888,765	-	3,558,503	14,447,268
Parks and recreation	1,064,089	-	-	1,064,089
Public safety	676,462	-	-	676,462
Technology	1,811,010	-	-	1,811,010
Traffic	648,723	-	-	648,723
Other Purposes	403,037	-	4,759,417	5,162,454
Assigned to:				
Streets and drainage	80,863	-	-	80,863
Unassigned:				
General fund	39,031,865	-	-	39,031,865
Total fund balances	<u>69,641,804</u>	<u>524,091</u>	<u>52,231,954</u>	<u>122,397,849</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,175,419</u>	<u>\$ 639,260</u>	<u>\$ 54,689,587</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,757,858
The City has an equity interest in a joint venture. This investment is not a current financial resource and, therefore, is not reported in the funds.	69,864
Deferred outflows represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow or resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.	22,386
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources.	(250,000)
Internal service funds are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (net of amount allocated to business-type activities of \$5,548,929)	
Cash	\$ 12,194,984
Investments	8,355,236
Receivables	148,256
Capital assets net of depreciation	20,283,403
Internal balances	(3,345,486)
Other assets	443,593
Current liabilities	(1,446,690)
Noncurrent liabilities	(3,963,974)
	32,669,322

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (85,743,428)

Unavailable revenue 3,498,538

Net position of governmental activities \$ 187,422,389

The notes to the financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 33,722,201	\$ 4,088,379	\$ 1,110,617	\$ 38,921,197
Sales	44,776,484	-	-	44,776,484
Gross receipts	12,732,502	-	-	12,732,502
Mixed beverage	639,530	-	-	639,530
Hotel-motel	-	-	6,512,643	6,512,643
Miscellaneous	130,902	-	-	130,902
Licenses and permits	3,091,399	-	1,099,470	4,190,869
Fines and forfeitures	3,783,005	-	-	3,783,005
Charges for services	2,640,062	-	-	2,640,062
Rentals	14,244	-	272,370	286,614
Assessments	-	-	119,055	119,055
Intergovernmental	859,928	-	570,173	1,430,101
Investment earnings:				
Interest income	665,983	9,954	207,642	883,579
Net increase in the fair value of investments	661,374	3,462	114,986	779,822
Contributions and donations	676,064	-	-	676,064
Miscellaneous	330,185	-	641,382	971,567
Total revenues	<u>104,723,863</u>	<u>4,101,795</u>	<u>10,648,338</u>	<u>119,473,996</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	1,681,529	-	-	1,681,529
Support services	13,752,715	-	-	13,752,715
Fiscal management	2,260,620	-	-	2,260,620
Development services	3,350,847	-	-	3,350,847
Engineering	13,905,183	-	-	13,905,183
Community services	10,261,957	-	-	10,261,957
Police	25,416,580	-	-	25,416,580
Fire	24,516,468	-	-	24,516,468
Other	3,475,988	-	4,818,732	8,294,720
Debt service:				
Principal	-	2,607,154	-	2,607,154
Interest	-	1,238,337	-	1,238,337
Paying agents' fees	-	631	-	631
Debt issuance costs	-	36,362	290,864	327,226
Capital outlay	-	-	13,361,266	13,361,266
Total expenditures	<u>98,621,887</u>	<u>3,882,484</u>	<u>18,470,862</u>	<u>120,975,233</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,101,976</u>	<u>219,311</u>	<u>(7,822,524)</u>	<u>(1,501,237)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	3,800,000	-	3,800,000
Issuance of long-term debt	-	-	24,372,306	24,372,306
Premium on debt issuance	-	306,577	2,926,750	3,233,327
Accrued interest on debt issuance	-	2,177	-	2,177
Payment to refunded bond escrow agent	-	(4,420,000)	-	(4,420,000)
Transfers in	5,270,262	136,428	-	5,406,690
Transfers out	(590,937)	-	(4,099,025)	(4,689,962)
Total other financing sources (uses)	<u>4,679,325</u>	<u>(174,818)</u>	<u>23,200,031</u>	<u>27,704,538</u>
Net change in fund balances	<u>10,781,301</u>	<u>44,493</u>	<u>15,377,507</u>	<u>26,203,301</u>
Fund balances – beginning	<u>58,860,503</u>	<u>479,598</u>	<u>36,854,447</u>	<u>96,194,548</u>
Fund balances – ending	<u>\$ 69,641,804</u>	<u>\$ 524,091</u>	<u>\$ 52,231,954</u>	<u>\$ 122,397,849</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2014**

Amounts reported for governmental activities in the statement of activities (page 30) are different because:

Net change in fund balances—total governmental funds (page 32)	\$ 26,203,301
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,019,407
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	9,557,013
Governmental funds report investment in joint venture as an expenditure. However, in the statement of activities, the equity interest is treated as an asset.	53,846
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds (i.e., earned but unavailable revenues).	(3,274)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(24,343,895)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,502,413)
Internal service funds are used by management to charge the costs of the garage, warehouse and three self-insurance funds to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>6,163,641</u>
Change in net position of governmental activities (page 30)	\$ <u><u>28,147,626</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	<b>Business-Type Activities—Enterprise Funds</b>						<b>Governmental Activities— Internal Service Funds</b>
	<b>Airport Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Scharbauer Sports Complex Fund</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,606,935	\$ 20,442,905	\$ 7,875,134	\$ 27,379,985	\$ 1,137,387	\$ 60,442,346	\$ 12,438,054
Investments	3,584,888	20,592,303	7,756,813	1,177,891	1,174,969	34,286,864	8,593,986
Interest receivable	10,253	64,853	21,803	4,260	3,720	104,889	21,072
Accounts receivable (net of allowance for uncollectibles)	221,899	8,399,599	595,529	91,105	19,849	9,327,981	127,855
Notes receivable	-	-	-	-	-	-	112,000
Inventories	-	-	-	-	197,904	197,904	616,152
Prepaid items and other assets	-	20,751	-	-	11,933	32,684	20,000
Due from component unit	-	-	-	2,080,418	-	2,080,418	-
Restricted assets:							
Passenger Facility Charge:		-	-	-	-	-	-
Cash and cash equivalents	4,263,792	-	-	-	-	4,263,792	-
Investments	906,100	-	-	-	-	906,100	-
Interest Receivable	2,363	-	-	-	-	2,363	-
Accounts Receivable	132,334	-	-	-	-	132,334	-
Customer deposits:							
Cash and cash equivalents		1,511,368	-	-	-	1,511,368	-
Investments		1,484,508	-	-	-	1,484,508	-
Bond construction fund:							
Cash and cash equivalents	228,544	1,807,526	-	-	755,578	2,791,648	-
Investments	20,138	145,766	-	-	274,258	440,162	-
Interest receivable	-	-	-	-	218	218	-
Bond debt service:							
Cash and cash equivalents	527,411	974,458	-	779,717	71,626	2,353,212	-
Investments	378,715	470,002	-	520,085	10,101	1,378,903	-
Interest receivable	1,037	-	-	1,550	-	2,587	-
Total current assets	<u>13,884,409</u>	<u>55,914,039</u>	<u>16,249,279</u>	<u>32,035,011</u>	<u>3,657,543</u>	<u>121,740,281</u>	<u>21,929,119</u>
Noncurrent assets:							
Capital assets:							
Land	1,571,906	13,271,128	-	227,240	-	15,070,274	45,541
Buildings	51,307,040	1,426,033	283,543	1,575,604	441,375	55,033,595	1,816,924
Improvements other than buildings	7,746,214	16,391,440	20,487,709	46,986,494	6,161,804	97,773,661	846,955
Infrastructure	89,347,740	465,613,822	-	-	-	554,961,562	-
Machinery and equipment	5,455,001	2,967,404	433,991	1,925,270	6,272	10,787,938	48,838,533
Intangible and Other	1,867,836	2,281,741	191,509	-	16,372	4,357,458	4,728,787
Construction in progress	2,219,482	1,775,082	132,039	-	-	4,126,603	-
Less accumulated depreciation	<u>(78,295,378)</u>	<u>(93,300,397)</u>	<u>(14,440,378)</u>	<u>(20,752,616)</u>	<u>(3,238,861)</u>	<u>(210,027,630)</u>	<u>(35,521,149)</u>
Total capital assets (net of accumulated depreciation)	<u>81,219,841</u>	<u>410,426,253</u>	<u>7,088,413</u>	<u>29,961,992</u>	<u>3,386,962</u>	<u>532,083,461</u>	<u>20,755,591</u>
Other noncurrent assets:							
Notes receivable	-	544,988	-	-	-	544,988	1,003,755
Total noncurrent assets	<u>81,219,841</u>	<u>410,971,241</u>	<u>7,088,413</u>	<u>29,961,992</u>	<u>3,386,962</u>	<u>532,628,449</u>	<u>21,759,346</u>
Total assets	<u>95,104,250</u>	<u>466,885,280</u>	<u>23,337,692</u>	<u>61,997,003</u>	<u>7,044,505</u>	<u>654,368,730</u>	<u>43,688,465</u>



**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on refunding	15,773	7,781	-	833,447	89	857,090	-
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	288,258	3,724,543	197,684	98,954	745,314	5,054,753	1,332,801
Accrued payroll	117,903	283,302	157,045	-	36,540	594,790	111,316
Retainage payable	177,309	482,571	-	4,082	76,715	740,677	-
Due to other funds	-	-	-	-	-	-	-
Due to component unit	-	2,425,000	-	-	-	2,425,000	-
Customer deposits	-	2,996,617	-	-	-	2,996,617	-
Revenue bonds payable							
from unrestricted assets	-	-	-	-	-	-	-
General obligation bonds payable							
from unrestricted assets	639,583	-	-	879,167	14,226	1,532,976	-
Premium on debt	11,891	152,041	-	81,493	18,543	263,968	-
Certificates of obligation payable							
from unrestricted assets	-	1,022,500	-	-	6,753	1,029,253	-
Notes payable	-	-	-	-	112,000	112,000	-
Compensated absences	159,979	212,427	83,777	-	52,284	508,467	81,270
Estimated unpaid claims	-	-	-	-	-	-	1,143,541
Unearned revenue	-	25,800	61,638	25,000	133,418	245,856	-
Other liabilities	33,618	380,860	223,963	-	6,065	644,506	19,626
Current liabilities payable from restricted assets:							
Accrued interest payable	11,746	236,960	-	70,519	52,356	371,581	-
Passenger Facility Improvement payable	13,070	-	-	-	-	13,070	-
General obligation bonds payable	895,417	-	-	1,230,833	19,917	2,146,167	-
Premium on debt	-	-	-	-	-	-	-
Certificates of obligation payable	-	1,207,500	-	-	9,454	1,216,954	-
Total current liabilities	<u>2,348,774</u>	<u>13,150,121</u>	<u>724,107</u>	<u>2,390,048</u>	<u>1,283,585</u>	<u>19,896,635</u>	<u>2,688,554</u>
Noncurrent liabilities:							
Revenue bonds payable	-	-	-	-	-	-	-
General obligation bonds payable	1,605,000	-	-	15,835,000	35,272	17,475,272	-
Premium on debt	3,307	1,672,962	-	247,920	189,341	2,113,530	-
Certificates of obligation payable	-	56,985,000	-	-	1,789,310	58,774,310	-
Capital lease obligations payable	-	229,630,333	-	-	-	229,630,333	-
Compensated absences	71,438	102,144	25,160	-	29,888	228,630	47,014
Other postemployment benefits payable	689,170	1,918,892	1,043,030	-	213,293	3,864,385	725,320
Estimated unpaid claims	-	-	-	-	-	-	2,009,326
Notes payable	-	-	-	-	1,003,755	1,003,755	-
Advances from other funds	-	-	-	-	835,708	835,708	-
Landfill closure/postclosure care	-	-	13,578,303	-	-	13,578,303	-
Total noncurrent liabilities	<u>2,368,915</u>	<u>290,309,331</u>	<u>14,646,493</u>	<u>16,082,920</u>	<u>4,096,567</u>	<u>327,504,226</u>	<u>2,781,660</u>
Total liabilities	<u>4,717,689</u>	<u>303,459,452</u>	<u>15,370,600</u>	<u>18,472,968</u>	<u>5,380,152</u>	<u>347,400,861</u>	<u>5,470,214</u>
<b>NET POSITION</b>							
Net investment in capital assets	78,099,223	120,926,126	7,088,413	12,521,026	1,656,297	220,291,085	20,755,591
Restricted for passenger facility improvements	5,291,519	-	-	-	-	5,291,519	-
Restricted for debt service	907,163	1,444,460	-	1,301,352	81,727	3,734,702	-
Unrestricted	<u>6,104,429</u>	<u>41,063,023</u>	<u>878,679</u>	<u>30,535,104</u>	<u>(73,582)</u>	<u>78,507,653</u>	<u>17,462,660</u>
Total net position	<u>\$ 90,402,334</u>	<u>\$ 163,433,609</u>	<u>\$ 7,967,092</u>	<u>\$ 44,357,482</u>	<u>\$ 1,664,442</u>	<u>307,824,959</u>	<u>\$ 38,218,251</u>

Reconciliation to government-wide statement of net position:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

5,548,929

Net position of business-type activities

\$ 313,373,888

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2014**

	<b>Business-Type Activities—Enterprise Funds</b>						<b>Governmental Activities—Internal Service Funds</b>
	<b>Airport Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Scharbauer Sports Complex Fund</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
Operating revenues:							
International Airport parking revenues	\$ 2,987,635	\$ -	\$ -	\$ -	\$ -	\$ 2,987,635	\$ -
International Airport building rentals	4,090,892	-	-	-	-	4,090,892	-
International Airport aviation rentals	359,438	-	-	-	-	359,438	-
International Airport landing fees	487,659	-	-	-	-	487,659	-
International Airport commercial rentals	168,248	-	-	-	-	168,248	-
International Airport fuel and oil commissions	104,480	-	-	-	-	104,480	-
Airpark rentals	135,924	-	-	-	-	135,924	-
Airpark fuel and oil commissions	22,614	-	-	-	-	22,614	-
Water sales	-	40,020,844	-	-	-	40,020,844	-
Sewer charges	-	11,394,356	-	-	-	11,394,356	-
Tap installations and service charges	-	390,719	-	-	-	390,719	-
Garbage collection fees	-	-	15,096,425	-	-	15,096,425	-
Penalties	-	494,513	98,654	-	-	593,167	-
Course usage fees	-	-	-	-	760,401	760,401	-
Golf cart fees	-	-	-	-	498,700	498,700	-
Pro shop rentals	-	-	-	-	15,505	15,505	-
Pro shop sales	-	-	-	-	771,032	771,032	-
Tournament fees	-	-	-	-	21,920	21,920	-
Snack bar concession rentals	-	-	-	-	49,849	49,849	-
Football-soccer stadium	-	-	-	418,841	-	418,841	-
Baseball stadium	-	-	-	508,336	-	508,336	-
Common areas	-	-	-	43,625	-	43,625	-
Billings to other funds	-	-	-	-	-	-	12,209,764
Motor vehicle repair billings	-	-	-	-	-	-	4,010,422
Motor vehicle lease charges	-	-	-	-	-	-	5,031,892
Equipment lease—other	-	-	-	-	-	-	797,227
Charges for fuel	-	-	-	-	-	-	2,705,890
Employee payments	-	-	-	-	-	-	2,262,294
Miscellaneous	504,421	261,265	-	-	-	765,686	-
Total operating revenues	<u>8,861,311</u>	<u>52,561,697</u>	<u>15,195,079</u>	<u>970,802</u>	<u>2,117,407</u>	<u>79,706,296</u>	<u>27,017,489</u>
Operating expenses:							
Cost of goods sold	-	-	-	-	543,562	543,562	1,499,717
Salaries and fringe benefits	2,308,505	5,751,727	3,551,548	-	735,708	12,347,488	2,430,303
Contractual services	1,812,983	26,616,536	5,103,399	950,599	645,659	35,129,176	4,878,157
Maintenance of structure	66,786	558,523	15,261	746,301	69,600	1,456,471	20,044
Maintenance of equipment	57,603	518,957	7,087	4,823	11,282	599,752	1,884,990
Payment of claims	-	-	-	-	-	-	6,819,364
Franchise fees	-	3,114,314	469,130	-	-	3,583,444	-
Depreciation	4,982,703	11,606,312	455,528	1,806,748	207,085	19,058,376	4,301,560
Closure and postclosure care	-	-	1,054,006	-	-	1,054,006	-
Supplies	121,702	1,631,981	318,517	29,305	106,879	2,208,384	3,335,578
Other expenses	149,551	5,182	129,003	98,000	-	381,736	123,801
Total operating expenses	<u>9,499,833</u>	<u>49,803,532</u>	<u>11,103,479</u>	<u>3,635,776</u>	<u>2,319,775</u>	<u>76,362,395</u>	<u>25,293,514</u>
Operating income (loss)	<u>(638,522)</u>	<u>2,758,165</u>	<u>4,091,600</u>	<u>(2,664,974)</u>	<u>(202,368)</u>	<u>3,343,901</u>	<u>1,723,975</u>

Nonoperating revenues (expenses):

Investment income:							
Interest income	56,738	354,898	101,702	39,096	19,401	571,835	153,302
Net increase in the fair value of investments	25,760	194,703	79,794	11,339	13,894	325,490	93,739
Interest expense	(172,468)	(12,264,472)	-	(1,029,489)	(58,915)	(13,525,344)	-
Rentals	-	210,140	-	-	-	210,140	-
Water royalties	65,817	-	-	-	-	65,817	-
Intergovernmental grants	1,860	-	-	-	-	1,860	-
Gain on sale of capital assets	435,000	-	-	-	-	435,000	404,847
Recoveries of damages to City property	-	-	-	-	-	-	203,591
Passenger facility charge revenues	1,594,738	-	-	-	-	1,594,738	-
Player facility charge revenues	-	-	-	-	204,386	204,386	-
SCDC construction contract revenue	-	-	-	11,194,121	-	11,194,121	-
Litter abatement contributions	-	-	378	-	-	378	-
Other	1,568,595	1,478,390	39,457	(148,270)	2,668	2,940,840	226,517
Total nonoperating revenues	<u>3,576,040</u>	<u>(10,026,341)</u>	<u>221,331</u>	<u>10,066,797</u>	<u>181,434</u>	<u>4,019,261</u>	<u>1,081,996</u>
Income before contributions and transfers	<u>2,937,518</u>	<u>(7,268,176)</u>	<u>4,312,931</u>	<u>7,401,823</u>	<u>(20,934)</u>	<u>7,363,162</u>	<u>2,805,971</u>
Capital contributions	4,084,766	8,937,253	-	-	-	13,022,019	1,106,388
Transfers in	-	-	-	590,937	-	590,937	4,017,596
Transfers out	<u>(1,500,000)</u>	<u>(2,159,901)</u>	<u>(598,626)</u>	<u>(379,525)</u>	<u>(110,589)</u>	<u>(4,748,641)</u>	<u>(576,620)</u>
Change in net position	5,522,284	(490,824)	3,714,305	7,613,235	(131,523)	16,227,477	7,353,335
Total net position - beginning, as previously reported	<u>84,896,706</u>	<u>164,510,355</u>	<u>4,252,787</u>	<u>36,878,403</u>	<u>1,796,841</u>	<u>292,335,092</u>	<u>30,864,916</u>
Prior period adjustment (See Note 1.O.)	<u>(16,656)</u>	<u>(585,922)</u>	<u>-</u>	<u>(134,156)</u>	<u>(876)</u>	<u>(737,610)</u>	<u>-</u>
Total net position – beginning	<u>84,880,050</u>	<u>163,924,433</u>	<u>4,252,787</u>	<u>36,744,247</u>	<u>1,795,965</u>		<u>30,864,916</u>
Total net position – ending	<u>\$ 90,402,334</u>	<u>\$ 163,433,609</u>	<u>\$ 7,967,092</u>	<u>\$ 44,357,482</u>	<u>\$ 1,664,442</u>		<u>\$ 38,218,251</u>

Reconciliation to government-wide statements of activities:

Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds.

324,636

Change in net position of business-type activities

\$ 16,552,113

The notes to the basic financial statements are an integral part of this statement.

**CITY OF MIDLAND, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year ended September 30, 2014**

**Business-Type Activities—Enterprise Funds**

	<b>Airport Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Scharbauer Sports Complex Fund</b>	<b>Nonmajor Fund</b>	<b>Total</b>	<b>Governmental Activities— Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and users	\$ 8,757,751	\$ 51,388,195	\$ 15,497,819	\$ 911,226	\$ 2,161,964	\$ 78,716,955	\$ 2,396,804
Receipts from interfund services provided	65,817	-	-	-	-	65,817	24,974,251
Payments to suppliers	(2,176,464)	(32,667,618)	(9,090,377)	(1,885,341)	(696,943)	(46,516,743)	(18,314,227)
Payments to employees	(2,213,189)	(5,566,262)	(3,454,227)	-	(701,578)	(11,935,256)	(2,362,547)
Payments for interfund services used	(58,560)	(65,817)	-	-	-	(124,377)	-
Receipts from other operating revenues	1,568,595	1,688,530	39,457	(148,270)	2,668	3,150,980	-
Net cash provided (used) by operating activities	<u>5,943,950</u>	<u>14,777,028</u>	<u>2,992,672</u>	<u>(1,122,385)</u>	<u>766,111</u>	<u>23,357,376</u>	<u>6,694,281</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Grants and contributions	1,860	-	378	-	-	2,238	-
Transfers from other funds	-	-	-	590,937	-	590,937	4,017,596
Transfers to other funds	(1,500,000)	(2,159,901)	(598,626)	(379,525)	(110,589)	(4,748,641)	(576,620)
Repayment of advances from other funds	-	-	-	-	(7,339)	(7,339)	-
Net cash provided (used) by noncapital financing activities	<u>(1,498,140)</u>	<u>(2,159,901)</u>	<u>(598,248)</u>	<u>211,412</u>	<u>(117,928)</u>	<u>(4,162,805)</u>	<u>3,440,976</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Issuance of capital debt	-	-	-	-	2,022,313	2,022,313	-
Payment of debt origination fees	-	-	-	-	(22,969)	(22,969)	-
Loans from component units	-	500,000	-	-	-	500,000	-
Capital contributions	4,084,766	82,500	-	-	-	4,167,266	-
Acquisition and construction of capital assets	(6,572,734)	(3,969,181)	(635,803)	(1,326,111)	(1,649,032)	(14,152,861)	(5,562,623)
Principal paid on capital debt and notes payable	(1,460,000)	(2,135,000)	-	(2,010,000)	(57,846)	(5,662,846)	-
Repayment of loans to other funds	-	-	-	-	(107,892)	(107,892)	107,892
Interest and fees paid on capital debt and notes payable	(177,750)	(10,662,275)	-	(896,778)	(46,077)	(11,782,880)	-
Proceeds from sales of capital assets	435,000	27,744	-	155,265	-	618,009	411,732
Passenger facility charge revenues	1,594,738	-	-	-	-	1,594,738	-
Player facility charge revenues	-	-	-	-	204,386	204,386	-
SCDC contract revenue	-	-	-	10,844,706	-	10,844,706	-
Net cash provided (used) by capital and related financing activities	<u>(2,095,980)</u>	<u>(16,156,212)</u>	<u>(635,803)</u>	<u>6,767,082</u>	<u>342,883</u>	<u>(11,778,030)</u>	<u>(5,042,999)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of investments	(2,130,322)	(1,227,162)	(1,389,587)	(779,255)	(363,055)	(5,889,381)	(2,120,585)
Proceeds from maturities of investments	357,474	2,780,673	824,823	119,013	142,013	4,223,996	1,033,600
Interest received	76,085	545,332	177,221	48,111	32,547	879,296	242,507
Net cash provided (used) by investing activities	<u>(1,696,763)</u>	<u>2,098,843</u>	<u>(387,543)</u>	<u>(612,131)</u>	<u>(188,495)</u>	<u>(786,089)</u>	<u>(844,478)</u>
Net increase (decrease) in cash and cash equivalents	653,067	(1,440,242)	1,371,078	5,243,978	802,571	6,630,452	4,247,780
Cash and cash equivalents at beginning of year	<u>7,973,615</u>	<u>\$ 26,176,499</u>	<u>\$ 6,504,056</u>	<u>\$ 22,915,724</u>	<u>\$ 1,162,020</u>	<u>\$ 64,731,914</u>	<u>\$ 8,190,274</u>
Cash and cash equivalents at end of year	<u>\$ 8,626,682</u>	<u>\$ 24,736,257</u>	<u>\$ 7,875,134</u>	<u>\$ 28,159,702</u>	<u>\$ 1,964,591</u>	<u>\$ 71,362,366</u>	<u>\$ 12,438,054</u>

**Reconciliation of operating income to net cash provided (used) by operating activities:**

Operating income (loss)	<u>\$ (638,522)</u>	<u>\$ 2,758,165</u>	<u>\$ 4,091,600</u>	<u>\$ (2,664,974)</u>	<u>\$ (202,368)</u>	<u>\$ 3,343,901</u>	<u>\$ 1,723,975</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	4,982,703	11,606,312	455,528	1,806,748	207,085	19,058,376	4,301,560
Other income	1,634,412	1,688,530	39,457	(148,270)	2,668	3,216,797	430,108
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(131,868)	(1,083,307)	178,379	(59,576)	2,992	(1,093,380)	(76,542)
(Increase) decrease in inventories	-	-	-	-	11,145	11,145	(33,720)
(Increase)/decrease in prepaid items and other assets	-	(754)	621	-	(11,933)	(12,066)	-
Increase in public improvement district	-	(343,256)	-	-	-	(343,256)	-
Increase (decrease) in accounts payable	8,834	306,150	(2,786,571)	(34,463)	604,112	(1,901,938)	176,409
Increase in accrued payroll	18,506	22,155	12,375	-	8,389	61,425	17,582
Increase (decrease) in retainage payable	23,327	(593,338)	(262,030)	(21,850)	76,715	(777,176)	-
Decrease in due to other funds	(58,560)	-	-	-	-	(58,560)	-
Increase in customer deposits	-	106,359	-	-	-	106,359	-
Increase in estimated unpaid claims	-	-	-	-	-	-	87,189
Increase (decrease) in unearned revenue	-	-	(1,283)	-	32,813	31,530	-
Increase (decrease) in compensated absences	26,319	37,783	7,455	-	9,612	81,169	(2,421)
Increase in other postemployment benefits	50,491	125,527	77,491	-	16,129	269,638	52,595
Increase in closure/postclosure care	-	-	1,054,006	-	-	1,054,006	-
Increase in other liabilities	28,308	146,702	125,644	-	8,752	309,406	17,546
Total adjustments	<u>6,582,472</u>	<u>12,018,863</u>	<u>(1,098,928)</u>	<u>1,542,589</u>	<u>968,479</u>	<u>20,013,475</u>	<u>4,970,306</u>
Net cash provided (used) by operating activities:	<u>\$ 5,943,950</u>	<u>\$ 14,777,028</u>	<u>\$ 2,992,672</u>	<u>\$ (1,122,385)</u>	<u>\$ 766,111</u>	<u>\$ 23,357,376</u>	<u>\$ 6,694,281</u>

**Noncash investing, capital, and financing activities:**

Change in fair value of investments	\$ 25,760	\$ 194,703	\$ 79,794	\$ 11,339	\$ 13,894	\$ 325,490	\$ 93,739
Contributions of capital assets	-	8,854,753	-	-	-	8,854,753	1,106,388
Capital lease							
Negative amortization	-	2,309,656	-	-	-	2,309,656	-

The notes to the basic financial statements are an integral part of this statement.

City of Midland  
Notes to the Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2014

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## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2014

#### 1. Summary of Significant Accounting Policies

The City of Midland, Texas (the City) is a municipal corporation incorporated under the laws of the State of Texas (the State). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City of Midland, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

GASB Statement No. 34, as amended by GASB Statement Nos. 37 and 38, requires that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- Management's Discussion and Analysis (MD&A) – MD&A is RSI presented before the basic financial statements, which introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- Basic Financial Statements – The basic financial statements, including notes to the basic financial statements that are essential to a user's understanding of the statements, are presented at two basic levels:
  - A. The government-wide level where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses and gains and losses of the City and distinguish between governmental and business type activities of the City and activities of the City's discretely presented component units.
  - B. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified-accrual basis of accounting, and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

These statements focus on information about the City's major governmental and enterprise funds.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

- RSI – Other than MD&A, RSI includes budgetary comparison schedules for the General Fund and any major Special Revenue Funds and other data, such as pension-related and other post employment data, required by GASB statements.

##### A. The Financial Reporting Entity

The financial reporting entity presented in the basic financial statements of the City of Midland includes the primary government, the City of Midland, and its component units. Component units are legally separate organizations for which the City is financially accountable and organizations which, if excluded, would cause the City's basic financial statements to be misleading or incomplete. GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61, establishes the criteria to be considered in determining component units of a primary government.

These criteria are financial accountability, appointment of board members, imposition of will, financial burden on or benefit to the primary government, dependency, and accuracy and completeness of the reporting entity's financial statements. In the absence of financial accountability, if the organization is a legally separate, tax-exempt entity meeting the following criteria, it should also be discretely presented as a component unit:

1. The resources of the organization are entirely or almost entirely for the direct benefit of the City, its component units, or its constituents.
2. The City, or its component units, is entitled to, or has access to a majority of the resources of the organization.
3. The resources of the organization are significant to the City.

The Midland Football/Soccer and Baseball Complex Development Corporation (SCDC), the Midland Development Corporation (MDC) and the Midland Spaceport Development Corporation (Spaceport) are the only component units of the City and are discretely presented. The SCDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the SCDC. Additionally, the City Council and the SCDC boards are not substantively the same and the SCDC does not provide services entirely or almost entirely to the City.

The SCDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4B of the Act. The purpose of the SCDC is to improve the quality of life and the public welfare of, for, and on behalf of the City by developing, implementing, providing, and financing the construction of a football-soccer stadium and baseball stadium and

(continued)



## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### A. The Financial Reporting Entity (continued)

related infrastructure, streets, water and sewer facilities, landscaping, land acquisition, automobile parking facilities and other related infrastructure and improvements. Complete audited financial statements of the SCDC may be examined at City of Midland, City Hall, 300 North Loraine, Room 320, Midland, Texas.

The MDC is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon the MDC. Additionally, the City Council and the MDC boards are not substantively the same and the MDC does not provide services entirely or almost entirely to the City.

The MDC is a legally separate nonprofit corporation organized under the Texas Development Corporation Act of 1979, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4A of the Act. The purposes of the MDC include, but are not limited to, keeping existing jobs and businesses in the City, expansion of current and attraction of new business to the City, providing long-term employment opportunities, and other such purposes as delineated in Article 4 of the Articles of Incorporation of the MDC. Complete audited financial statements of the SCDC and MDC may be examined at City of Midland, City Hall, 300 North Loraine, Room 320, Midland, Texas.

The Spaceport is discretely presented because it is a legally separate entity with a majority of its board appointed by the City and the City can impose its will upon it. Additionally, the City Council and the Spaceport boards are not substantively the same and the Spaceport does not provide services entirely or almost entirely to the City. The Spaceport had no financial transactions during 2014.

##### B. Joint Venture

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in the following joint venture:

The Midland-Odessa Urban Transit District (MOUTD) was established through an interlocal agreement between the City of Midland and the City of Odessa on August 28, 2001 to provide mass transit to both cities. The MOUTD is to be exclusively governed by both City Councils or through an equally appointed board. At September 30, 2014, the Transit Board (the Board) is the official

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### B. Joint Venture (continued)

governing agency of EZ-Rider. It is comprised of six individuals from both cities, appointed by their respective City Councils. The Board approves the budget, routes, fares, schedules, policies and procedures, new services, etc. Further information concerning MOUTD may be found in note 19 of this financial report.

##### C. Government-wide and Fund Financial Statements

As previously discussed, the basic financial statements of the City are presented at two basic levels, the government-wide level and the fund level. These statements focus on the City as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the City.

Although the effect of indirect interfund activity has been removed from these statements, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the City is reported separately from certain legally separate component units that meet the criteria for discrete presentation as set forth in GASB Statements No. 14, 39 and 61. The government-wide statement of net position reports all financial and capital resources of the City and is presented in an "assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position" format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the City's functions (Development Services, Community Service, Fire, Police, etc.) or segments (Water and Sewer, Sanitation, Golf Course, Airport, etc.) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment, or from other sources that reduce the net cost of the function to be financed from general government revenues.

Program revenues are 1) charges to customers who purchase, use, or directly benefit from services provided by a function or segment and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function or segment and 3) grants and contributions restricted to capital

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### C. Government-wide and Fund Financial Statements (continued)

requirements of a function or segment. Items such as taxes, investment earnings and nonspecific grants are not included as program revenues but are instead reported as general revenues, which normally cover the net cost of a function or segment.

Internal service funds report activities that provide goods or services to the financial reporting entity on a cost-reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit, to the extent possible. The effect of internal service fund activities in the government-wide statements is eliminated, as necessary, to avoid the effect of "doubling up" internal service fund activity. Any residual assets of internal service funds, except the Warehouse Fund, are reported with governmental activities at the entity-wide level. Residual assets of the Warehouse Fund are reported with business-type activities at the entity-wide level because the Warehouse Fund provides support predominantly to the enterprise funds.

Separate fund level financial statements are presented for governmental funds and proprietary funds. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. A major fund is defined by GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 37, paragraph 15, as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. GASB Statement No. 65 states that assets should be combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources for purposes of determining which elements meet the criteria for major fund determination in accordance with GASB Statement No. 34. Additionally, any fund deemed particularly important by the City may be reported as a major fund.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements.

##### D. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### D. Measurement Focus and Basis of Accounting (continued)

requirements, including time requirements, have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the City's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property and sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Ambulance and grant revenues are considered to be available if they are to be received within one year.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Governmental fund-level revenues that have been accrued based upon the susceptible to accrual concept are:

General Fund - ad valorem taxes, sales taxes, ambulance, assessments, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds - ad valorem taxes, occupancy taxes, federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund - ad valorem taxes and interest.

Capital Projects Fund – interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total position view of increases (revenues) and decreases (expenses) in the fund.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### D. Measurement Focus and Basis of Accounting (continued)

Proprietary fund operating statements distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

The principal operating revenues of the City's water and sewer, sanitation, golf course, airport and sports complex fund are charges of this type. Operating expenses include the costs of administration, sales, services and depreciation. Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include revenues such as the Passenger Facility Charges (PFC) reported in the Airport Fund. It is the City's general policy to first use restricted assets, such as the PFC revenues, for costs that meet the resource restrictions and then unrestricted assets as needed.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and other government units, on a cost-reimbursement basis. These activities include, but are not limited to, warehouse, garage, and self-insurance services for workers' compensation, medical/dental and general liability.

The following major funds are used by the City:

##### 1. Governmental Funds

- a. General Fund – The principal operating unit of the City, this fund accounts for the primary activities of the City, such as police protection, fire protection, public works, maintenance of parks and general administration, which are not accounted for and reported in any other fund.
- b. Debt Service Fund – This fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.
- c. Other Governmental Funds – This is a summarization of all of the nonmajor governmental funds. Included are the following funds:
  1. Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### D. Measurement Focus and Basis of Accounting (continued)

##### 1. Governmental Funds (continued)

c. Other Governmental Funds – This is a summarization of all of the nonmajor governmental funds. Included are the following funds:  
(continued)

2. Capital Projects Funds - These funds account for and report financial resources that are restricted, committed or assigned to be used for the acquisition or construction of capital facilities and other capital assets other than those financed by business-type activities.

##### 2. Proprietary Funds

a. Water and Sewer Fund - This fund is used to account for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection for water and sewer services. The fund is also used to accumulate resources for certain capital projects and to meet the requirements of bond indentures, obligations for capital leases and other long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.

b. Sanitation Fund - This fund is used to account for the collection of refuse, delivery of refuse to the landfill and landfill operations. The fund is also used to accumulate resources for certain capital projects and to meet the obligations for capital leases and other long-term obligations of the system. Charges to customers, based upon rates that are reviewed on a regular basis, and investment income provide the revenue stream to finance these costs.

c. Airport Fund - This fund is used to account for the operation and maintenance of the airfield, terminal building, parking facilities, general aviation airport, and industrial park. The fund is also used to accumulate resources for certain capital projects and to meet the requirements of bond indentures and other long-term obligations of the airport. Charges to customers provide the revenue stream to finance operating costs, some capital projects costs, and other long-term obligations of the airport. The Passenger Facility Charge, which is nonoperating revenue, is used to supplement charges to customers in supporting the requirements of bond indentures and certain capital projects.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### D. Measurement Focus and Basis of Accounting (continued)

##### 2. Proprietary Funds (continued)

- d. Scharbauer Sports Complex Fund - This fund is used to account for the operation and maintenance of the sports complex, accumulate resources for capital projects, and meet the requirements of bond indentures, obligations for capital leases and other long-term obligations of the system. Operations, maintenance costs and obligations for capital leases are financed through user charges. Revenues to provide for the retirement of long-term debt associated with the construction of the complex are provided from a contract with the SCDC.
- e. Golf Course Fund - This fund does not meet the criteria for inclusion as a major fund. However, this is the only remaining proprietary fund of the City and as such is presented in a separate column. This fund is used to account for the operation and maintenance of the golf course and pro shop, accumulate resources for capital projects, and meet the requirements of bond indentures and other long-term obligations of the system. All costs are financed through user charges. In 2009, the City assumed operation of the pro shop and related inventories.

##### 3. Other Fund Types

Internal Service Funds – account for fleet management services, provision of goods through a warehouse, technology equipment and services, and self-insurance activities in the areas of workers' compensation, health and general liability to the financial reporting entity on a cost- reimbursement basis.

##### E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include any cash on hand, demand deposits and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in TexPool, LOGIC, and TexStar (2a7-like pools) are considered cash equivalents as the amounts are available on demand.

Investments, other than investments in 2a7-like pools, are recorded at fair value based upon verifiable market prices.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### F. Inventories and Prepaid Items

Inventories are valued at average cost. Inventories for all funds consist of expendable supplies and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

The City makes certain payments to vendors in the current year for expenses/expenditures applicable to future accounting periods. A reserve for inventories and prepayments in governmental funds is recognized at the fund level to indicate that a portion of the fund balance is not appropriable for expenditure. Prepaid items are recorded as expenditures or expenses when consumed.

##### G. Receivables, Payables and Interfund Transactions

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms-length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables when liquidation is expected within one year. If anticipated repayment is longer than one year, amounts are classified as advances to/from other funds. Flows of assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

##### H. Capital Assets

Capital assets are defined as a purchase or other acquisition of any equipment, facilities or other similar assets or the cost of construction of such asset the cost of which is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, runways and taxiways, lighting systems and other similar type assets, have been recorded at historical cost for all assets acquired after April 1986. Infrastructure assets acquired prior to April 1986 and after June 1980 were capitalized based upon estimated historical cost obtained from bond documents used to obtain financing for construction of infrastructure assets. Contributed assets are recorded at estimated fair value at the time of acquisition.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets for business-type activities is capitalized as part of the value of the asset. During fiscal year 2014, \$0.60 million in capitalized interest was recorded. Depreciable

(continued)



# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies (continued)

#### H. Capital Assets (continued)

capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Years</u>
Buildings	10–40
Infrastructure	20–50
Improvements other than buildings	2–50
Machinery and equipment	4–30
Intangible and Other	3–15

#### I. Compensated Absences

The City's employees earn vacation, which may either be taken or accumulated, subject to a specified maximum, until paid upon retirement or termination. Unused sick leave is accumulated up to certain limits, which are subject to specific reductions if deposited into a Retiree Reimbursement Account (RRA) upon retirement. The City's employees are allowed to accumulate compensatory time up to a specified maximum.

The City has accrued vacation, sick leave, compensatory time and related salary payments based on the criteria set forth in GASB Statement No. 16. This liability has been accrued in the government-wide and proprietary fund statements. Governmental funds report liabilities only for the matured portion of these liabilities.

#### J. Federal and State Grants

Community Development Block Grants, Federal and State of Texas Equitable Property Sharing proceeds and certain other public safety grants are accounted for within special revenue funds. Other grants and entitlements received for purposes normally financed through the general government are accounted for within the General Fund. Grant revenues are recognized when the expenditures are accrued and other related requirements are met. Airport Improvement Program (AIP) grants are accounted for within the Airport Fund, which is an enterprise fund. Grant revenues are recognized on an accrual basis.

#### K. Long-Term Debt

General Obligation Bonds and Certificates of Obligation that have been issued to fund capital projects of the general government that are to be repaid from tax revenues of the City are reported in the government-wide statement of net position.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### K. Long-Term Debt (continued)

Certificates of Obligation, which are secured by tax revenues, and Revenue Bonds, which have been issued to fund capital projects of proprietary funds that are to be repaid with funds from proprietary fund assets, are reported in the proprietary funds. Bonds payable are reported net of the associated premium or discount at the government-wide level and in the fund level proprietary fund statements.

The government-wide and proprietary fund level statements defer bond premiums, discounts and issuance costs and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

Governmental and business-type activities in the government-wide statements and the proprietary funds report the difference between the reacquisition price (new debt) and the net carrying amount of the old debt on refunded debt transactions as a deferred outflow or inflow of resources and recognize it as a component of interest expense in a systematic and rational manner over the shorter of the remaining life of the old debt or the life of the new debt.

##### L. Retirement Plans

The City has two separate defined-benefit retirement plans that cover substantially all employees. The Texas Municipal Retirement System provides benefits for all full-time employees who are not firefighters. The Midland Firemen's Relief and Retirement Fund provides benefits for all full-time firefighters. The City's contributions to both funds are recorded on an accrual basis.

##### M. Indirect and Centralized Expenses

The City does not allocate indirect expenses among functions. The City charges proprietary type funds for "centralized" expenses, which include an administrative overhead component, provided by the General Fund. These costs are determined on an annual basis through a full cost allocation study, except in the case of the Airport Fund. Airport Fund costs are determined in accordance with Office of Management and Budget (OMB) Circular A-87. However, the City does not charge the full cost determined through the OMB Circular A-87 study to the Airport Fund. All charges for these "centralized" expenses are treated as transfers in the proprietary funds.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 1. Summary of Significant Accounting Policies (continued)

##### N. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

##### O. Implementation of New Accounting Principles

In the preparation of the Fiscal Year 2014 basic financial statements, the City adopted the following accounting standard by the GASB:

- GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The implementation of GASB 65 resulted in the restatement of the beginning net position of the governmental activities and the business-type activities in the government-wide financial statements in the amounts of (\$0.3) million and (\$0.7) million, respectively. The beginning net position of the statement of Revenues Expenses and Changes in Fund Net Position – Proprietary Funds reflected changes to the Airport Fund (\$16,656), Water and Sewer Fund (\$585,922), Scharbauer Sports Complex Fund (\$134,156) and Nonmajor Fund (\$876). Issuance costs, previously amortized over the life of the debt issuance, are now expensed at the time of issue.

GASB 65 also resulted in deferred charges on refunding being reclassified to Deferred Outflow of Resources instead of a reduction to the debt liability.

#### 2. Reconciliation of Government-Wide and Fund Financial Statements

##### A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total government funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (continued)

reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of this \$85,743,428 difference are as follows:

Bonds, notes payable and certificates of obligation payable	\$59,505,880
Accrued interest payable	802,452
Compensated absences	5,375,407
Other postemployment benefits	<u>20,059,689</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> arrive at <i>net position – governmental activities</i>	<u>\$85,743,428</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this \$12,019,407 difference are as follows:

Capital outlay (includes \$5,797,281 reported in General Fund functional activities)	\$19,158,547
Depreciation expense	<u>(7,139,140)</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$12,019,407</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.”

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

The details of this \$9,557,013 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$9,566,200
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In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	<u>(9,187)</u>
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Net adjustment to increase <i>net changes in fund balances</i> – <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$9,557,013</u>
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Another element of that reconciliation states that, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.”

Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the statement of activities amortizes these amounts over time.”

The details of this \$24,343,895 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation	(\$ 24,372,306)
Plus premium	(2,926,750)
Plus accrued interest received	(2,177)
Issuance of refunding bonds	(3,800,000)
Plus premium	(306,577)
Plus accrued interest received	10,526
Deferral of issuance costs	26,235
Principal repayments:	
General obligation debt	967,154
Certificates of obligation	1,545,000
Notes payable	95,000
Payment to escrow agent for refunding	<u>4,420,000</u>
Net adjustment to decrease <i>net changes in fund balances</i> – <i>total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>(\$ 24,343,895)</u>

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 2. Reconciliation of Government-Wide and Fund Financial Statements (continued)

##### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds."

The details of this \$(1,502,413) difference are as follows:

Reversal of prior year interest accrual	\$ 109,331
Accrued interest	(802,452)
Amortization of premium and deferred loss	267,349
Change in compensated absences	354,296
Change in other postemployment benefits	<u>(1,430,937)</u>

Net adjustment to decrease *net changes in fund balances*  
– *total governmental funds to arrive at changes in net*  
*position of governmental activities*

(\$1,502,413)

#### 3. Deposits and Investments

Deposits – State statute requires that public funds in the City's depository institution be secured by eligible securities, as defined in V.T.C.A., Local Government Code Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The City's depository agreement further restricts acceptable collateral, 65% secured by direct obligations of the United States and 35% meeting the requirements of Chapter 2257, and the level of collateral to 102% of City funds on deposit or the amount of City funds on deposit plus \$1,000,000, whichever is greater. City deposits were fully insured or collateralized as of September 30, 2014. At September 30, 2014, the carrying amount of cash for the City and MDC was (\$12,257,025) and \$13,824,805, respectively. The bank balance of \$2,350,809 was insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000. The remaining bank balance was collateralized by securities, fair value of \$16,044,289 at September 30, 2014, held in the City's name by the Federal Reserve Bank of Minneapolis as agent for the City.

In addition to these bank balances, the Federal Reserve Bank serves as Custodian for eligible federal treasury and agency securities in the amount of \$97,712,150.

Investments – The City's investment policies are governed by State statutes. The City's investment policies further limit State statutes such that eligible investments include the following:

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 3. Deposits and Investments (continued)

##### A. Obligations of the United States or Its Agencies and Instrumentalities

1. United States of America Treasury Securities;
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States;
3. Federal Home Loan Bank (FHLB) bonds;
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures;
5. Farm Credit System obligations;
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, i.e. discount notes or debentures.

##### B. Direct Obligations of the State of Texas or Its Agencies

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of ten years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

##### C. Certificates of Deposit Issued by State and National Banks Domiciled in This State

Certificates of Deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

##### D. Fully Collateralized Repurchase Agreements Having a Defined Termination Date

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, and secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the City.

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 3. Deposits and Investments (continued)

##### E. Money Market Funds

Money Market Funds fully authorized by State statute of both public and private sponsorship.

##### F. Other Securities or Obligations Approved by the City Council

Other such securities or obligations as authorized by State statute and approved by the City Council.

Investments of the City, other than for 2a7-like pools, are valued based upon quotes obtained from Bloomberg. Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The City invests in three 2a7-like pools; the Local Government Investment Cooperative (LOGIC), TexStar, and the Texas Local Government Investment Pool (TexPool), all of which were created under the Interlocal Cooperation Act, Texas Government Code Ann. ch. 791 and the Texas Government Code Ann. ch. 2256. Investments in the 2a7-like pools are considered to be cash equivalents when preparing these financial statements.

LOGIC is governed by a five-member Board of Directors consisting of individuals from participating Government Entities in the pool. The business and affairs of LOGIC are managed by the Board. J.P. Morgan Investment Management, Inc. provides investment management, fund accounting, transfer agency and custodial services for the pool and First Southwest Asset Management, Inc. provides administrative, marketing and participant services. The Texas

Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a seven-member advisory board.

Fair value of the City's position in all three pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted average daily cash and investment balances.

State statutes permit the City to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities or cash of equal value, the City would suffer an economic loss equal to the difference between the market value plus accrued interest

(continued)



# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 3. Deposits and Investments (continued)

of the underlying securities and the agreement obligation, including accrued interest. During the year ended September 30, 2014, the City invested in no reverse repurchase agreements.

**Credit Risk** – In compliance with the City's investment policy, as of September 30, 2014, the City minimized credit risk by limiting investments to the safest types of securities and diversifying the portfolio so that potential losses on individual securities were minimized. The 2a7-like pools (which represent approximately 64.2% of the portfolio) are rated AAAm by Standard and Poor's. The Farm Credit System obligations, Federal Home Loan Bank notes and Federal Home Loan Mortgage Corporation obligations were all rated AAA by Standard and Poor's.

**Interest Rate Risk** – As a means of minimizing risk of loss due to interest rate fluctuations, the City's investment policy requires that the portfolio remain sufficiently liquid to enable the City to meet operating requirements that might be reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements. Liquidity and marketability will be ensured by investing in securities with active secondary markets. Final stated maturities may not exceed ten years with no more than 30% exceeding seven years and dollar weighted average portfolio maturity not to exceed five years in the investments listed above in sections A through F. At September 30, 2014, the weighted average portfolio maturity was 2.17 years.

The City's investments carried at fair value as of September 30, 2014 are:

Investments:	Fair Value			Weighted Average Maturity (in years)	Credit Risk
	Primary Government	Component Units	Total		
FFCB	\$ 9,870,740	\$ -	\$ 9,870,740	7.69	AAA
FHLB	48,229,010	-	48,229,010	7.52	AAA
FNMA	19,760,720	-	19,760,720	3.80	AAA
FHLMC	19,851,680	-	19,851,680	3.86	AAA
Subtotal investments	97,712,150	-	97,712,150		
2a7-Like Pools	174,888,099	11,786,650	186,674,749	-	AAAm
Total Fair Value	\$ 272,600,249	\$ 11,786,650	\$ 284,386,899		
Portfolio Weighted Average Maturity				2.17	

**Concentration of Credit Risk** – The City's investment policy states that the portfolio(s) shall be diversified by type of investment and maturities to reduce risks resulting from undue investment concentration. At September 30, 2014, more than 5% of the City's investments are in Federal Home Loan Bank notes, Federal National Mortgage Association notes, and Federal Home Loan Mortgage Corporation notes. This investment is 17.69%, 7.25% and 7.28%, respectively, of the City's total portfolio. The investments in 2a7-like pools balance as of September 30, 2014, consisted of TexPool, LOGIC, and TexStar in the amounts of \$66,416,493, \$165,736, and \$108,305,870, respectively.

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# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 4. Property Taxes

Property taxes for the current fiscal year are levied on October 1; attach as an enforceable lien on property as of January 1; and become delinquent at January 31, unless the half-payment option is elected by the taxpayer, in which case one-half of the tax is due November 30, and the balance due the following June 30. On February 1, delinquent taxes are assessed a 6% penalty plus 1% interest. Penalty and interest rates each increase 1% per month through June. According to Article V, Section (2) of the City Charter, the maximum tax rate is \$2.00 per \$100.00 assessed valuation, which includes debt service. The combined tax rate of the 2013 tax roll or Fiscal Year 2013-2014 was \$0.431927 per \$100.00 assessed valuation, resulting in a tax levy in the amount of \$38,171,791 on an assessed valuation of \$8,837,556,062. The levy is composed of maintenance and operations levy of \$0.385719 and an interest and sinking fund (debt service) levy of \$0.046208 per \$100.00 assessed valuation. Property taxes are imposed nonexchange revenues and, as such, require different revenue recognition at the government-wide level and fund level.

In the government-wide statements, property taxes are recorded on an accrual basis with a receivable for any delinquent taxes and the associated revenue recognized at September 30 of each year. At the fund level, property tax revenues are recognized on the modified-accrual basis of accounting, meaning collected within the current period or soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period.

### 5. Receivables

Receivables as of September 30, 2014 for the City's individual major and nonmajor funds, and internal service funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Debt Service	Airport	Water and Sewer	Sanitation	Sports Complex	Nonmajor and Other Funds	Total
Receivables:								
Interest	\$ 128,676	\$ 1,010	\$ 13,653	\$ 64,853	\$ 21,803	\$ 5,810	\$ 59,088	\$ 294,893
Property Taxes	805,674	149,813	-	-	-	-	218,619	1,174,106
Sales Taxes	8,321,672	-	-	-	-	-	-	8,321,672
Accounts	4,588,663	1,709	356,419	9,007,182	618,431	91,105	1,231,579	15,895,088
Assessments	511,617	-	-	-	-	-	-	511,617
Intergovernmental	134,523	-	15,437	-	-	-	224,387	374,347
Gross receivables	14,490,825	152,532	385,509	9,072,035	640,234	96,915	1,733,673	26,571,723
Less: allowance for								
Uncollectibles	(3,093,606)	(20,422)	(17,623)	(607,583)	(22,902)	-	-	(3,762,136)
Net total receivables	\$ 11,397,219	\$ 132,110	\$ 367,886	\$ 8,464,452	\$ 617,332	\$ 96,915	\$ 1,733,673	\$ 22,809,587

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 5. Receivables (continued)

Governmental funds reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The City also records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2014, the composition of these revenues was as follows:

	Deferred Inflows Unavailable <u>Revenue</u>	Governmental Unearned <u>Revenue</u>
Delinquent property taxes receivable (General Fund)	\$ 534,954	\$ -
Lot clearing receivable (General Fund)	388,701	-
Municipal Court fines (General Fund)	938,688	-
Delinquent property taxes receivable (Debt Service Fund)	115,169	-
Lot clearing receivable (other governmental funds)	1,009,409	-
Street paving liens receivable (General Fund)	511,617	-
Grant drawdowns prior to meeting all eligibility requirements	-	149,426
Prepayment of various charges	-	140
Total	<u>\$ 3,498,538</u>	<u>\$ 149,566</u>

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 6. Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

#### Primary Government

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,268,547	\$ 342,671	\$ 63,856	\$ 6,675,074
Construction in progress	1,375,877	18,852,264	(17,543,437)	2,684,704
Total capital assets, not being depreciated	7,644,424	19,194,935	(17,479,581)	9,359,778
Capital assets, being depreciated:				
Buildings	29,916,009	4,385,936	(186,208)	34,115,737
Improvements other than buildings	15,171,342	771,431	8,599	15,951,372
Machinery and equipment	55,823,713	11,089,773	(4,199,082)	62,714,404
Infrastructure	112,896,978	16,886,831	241,653	130,025,462
Other	8,376,685	608,289	161,959	9,146,933
Total capital assets, being depreciated	222,184,727	33,742,260	(3,973,079)	251,953,908
Less accumulated depreciation for:				
Buildings	(11,468,648)	(907,097)	3,805	(12,371,940)
Improvements other than buildings	(8,764,798)	(632,463)	-	(9,397,261)
Machinery and equipment	(36,650,300)	(4,340,547)	3,889,346	(37,101,501)
Infrastructure	(55,036,587)	(4,506,552)	-	(59,543,139)
Other	(6,855,425)	(1,003,159)	-	(7,858,584)
Total accumulated depreciation	(118,775,758)	(11,389,818)	3,893,151	(126,272,425)
Total capital assets, being depreciated, net	103,408,969	22,352,442	(79,928)	125,681,483
Governmental activities capital assets, net	\$ 111,053,393	\$ 41,547,377	\$ (17,559,509)	\$ 135,041,261

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,231,206	\$ 592,753	\$ 529,257	\$ 14,353,216
Construction in progress	10,453,610	11,342,643	(17,669,650)	4,126,603
Total capital assets, not being depreciated	23,684,816	11,935,396	(17,140,393)	18,479,819
Capital assets, being depreciated:	63,282,528			
Water rights	717,058	-	-	717,058
Buildings	53,639,305	1,418,094	-	55,057,399
Improvements other than buildings	86,887,854	10,653,039	732,768	98,273,661
Machinery and equipment	11,139,939	302,457	(654,458)	10,787,938
Infrastructure	510,229,258	46,022,072	(1,289,768)	554,961,562
Other	3,538,259	943,304	-	4,481,563
Total capital assets, being depreciated	666,151,673	59,338,966	(1,211,458)	724,279,181
Less accumulated depreciation for:				
Water rights	(717,058)	-	-	(717,058)
Buildings	(19,913,640)	(1,442,581)	-	(21,356,221)
Improvements other than buildings	(42,399,267)	(3,035,578)	-	(45,434,845)
Machinery and equipment	(7,392,615)	(699,942)	499,192	(7,593,365)
Infrastructure	(118,997,165)	(13,656,769)	-	(132,653,934)
Other	(2,173,540)	(274,388)	-	(2,447,928)
Total accumulated depreciation	(191,593,285)	(19,109,258)	499,192	(210,203,351)
Total capital assets, being depreciated, net	474,558,388	40,229,708	(712,266)	514,075,830
Business-type activities capital assets, net	\$ 498,243,204	\$ 52,165,104	\$ (17,852,659)	\$ 532,555,649

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

6. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	
Administration	\$ 89,039
Support services	466,634
Development services	1,260
Engineering	4,768,100
Community services	1,288,062
Police	255,455
Fire	270,590

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>4,250,678</u>
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Total depreciation expense – governmental activities	<u>\$ 11,389,818</u>
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Business-type activities:

Airport	\$ 4,982,703
Water and sewer	11,657,194
Sanitation	455,528
Scharbauer sports complex	1,806,748
Nonmajor fund	<u>207,085</u>

Total depreciation expense – business-type activities	<u>\$ 19,109,258</u>
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(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

6. Capital Assets (continued)

Discretely Presented Component Units

Capital asset activity for MDC for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,693,032	\$ -	\$ (268,279)	\$ 4,424,753
Construction in progress	370,480	5,840,568	-	6,211,048
Total capital assets, not being depreciated	<u>5,063,512</u>	<u>5,840,568</u>	<u>(268,279)</u>	<u>10,635,801</u>
Capital assets, being depreciated:				
Buildings	1,271,184	-	(1,271,184)	-
Improvements other than buildings	499,260	-	(282,924)	216,336
Machinery and equipment	38,076	-	-	38,076
Infrastructure	484,502	-	-	484,502
Total capital assets, being depreciated	<u>2,293,022</u>	<u>-</u>	<u>(1,554,108)</u>	<u>738,914</u>
Less accumulated depreciation for:				
Buildings	(239,171)	(7,314)	246,485	-
Improvements other than buildings	(181,138)	(14,075)	102,984	(92,229)
Machinery and equipment	(20,727)	(2,997)	-	(23,724)
Infrastructure	(76,454)	(9,691)	-	(86,145)
Total accumulated depreciation	<u>(517,490)</u>	<u>(34,077)</u>	<u>349,469</u>	<u>(202,098)</u>
Total capital assets, being depreciated, net	<u>1,775,532</u>	<u>(34,077)</u>	<u>(1,204,639)</u>	<u>536,816</u>
Governmental activities capital assets, net	<u>\$ 6,839,044</u>	<u>\$ 5,806,491</u>	<u>\$ (1,472,918)</u>	<u>\$ 11,172,617</u>

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans

##### A. Texas Municipal Retirement System

##### 1. Plan Description

The City provides pension benefits for all of its full-time employees who are not firefighters through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 850 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 850 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2013 valuations are contained in the 2013 TMRS Comprehensive Annual Financial Report, available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount that, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City-matching percentage had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service Retirement Eligibility (expressed as years of service/age)	5 yrs/age 60, 20 yrs/any age
Updated Service Credit	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### A. Texas Municipal Retirement System (continued)

##### 2. Funding Policy

Under the State law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2013 valuation is effective for rates beginning January 1, 2015).

Contributions by the City were \$6,643,686 or 16.49% of covered payroll of \$40,289,162 as required by the actuarial valuation. Total payroll for Fiscal Year 2013 was \$50,193,058. Annual TMRS pension cost, net pension obligation (NPO) and related information for the last three years is as follows:

(continued)



# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 7. Employee Benefit Plans (continued)

#### A. Texas Municipal Retirement System (continued)

#### 2. Funding Policy

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 also follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	<u>\$ 6,643,686</u>	<u>\$ 6,473,174</u>	<u>\$ 7,580,704</u>
Annual pension cost	6,643,686	6,473,174	7,580,704
Contributions made	6,643,686	6,473,174	7,580,704
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of annual pension cost	100%	100%	100%
Actuarial valuation date	December 31, 2013	December 31, 2012	December 31, 2011
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Amortization period	23.0-year closed period	25.0-year closed period	26.0-year closed period
Actuarial assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Inflation rate	3.0%	3.0%	3.0%
Cost-of-living adjustments	1.5%	1.5%	1.5%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service

#### 3. Funded Status and Funding Progress

In October 2013, the TMRS board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost methods and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### A. Texas Municipal Retirement System (continued)

##### 3. Funded Status and Funding Progress (continued)

As of December 31, 2013, the most recent actuarial valuation date, the plan was 85.7% funded. The actuarial accrued liability for benefits was \$275.4 million, and the actuarial value of assets was \$235.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$39.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$40.3 million, and the ratio of UAAL to the covered payroll was 98.0%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used includes techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

##### B. Midland Firemen's Relief and Retirement Fund

##### 1. Plan Description

The Board of Trustees of the Midland Firemen's Relief and Retirement Fund (the Fund) is the administrator of a single-employer defined benefit pension plan. The Fund is a separate legal entity with an independently elected board and issues its own audited financial statements. Additionally, the Fund has its own actuarial valuations performed as of December 31 in odd numbered years. The last actuarial valuation report available is for the year ended December 31, 2013. All assumptions for this valuation are contained in the Midland Firemen's Relief and Retirement Fund Actuarial Valuation Report and Review as of January 1, 2014, a copy of which may be obtained by writing the Midland Firemen's Relief and Retirement Fund Board of Trustees, 1500 W. Wall, Midland, TX 79701.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 7. Employee Benefit Plans (continued)

#### B. Midland Firemen's Relief and Retirement Fund (continued)

##### 1. Plan Description (continued)

A degree of financial dependence upon the City does exist to the extent the City makes contributions to the Fund equal to 21.2% of plan participants' pay. In the City's professional judgment, this dependence is not sufficient to warrant inclusion of the Fund's activities within the City's basic financial statements.

Firefighters in the Midland Fire Department are covered by the Midland Firemen's Relief and Retirement Fund. The table below summarizes the membership of the fund at December 31, 2013, December 31, 2012, and December 31, 2011:

	Dec. 31, <u>2013</u>	Dec. 31, <u>2012</u>	Dec. 31, <u>2011</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	142	142	131
Current employees			
a. Vested	100	104	109
b. Nonvested	<u>78</u>	<u>72</u>	<u>81</u>
Total	<u>320</u>	<u>318</u>	<u>321</u>

The Midland Firemen's Relief and Retirement Fund provides service retirement, death, disability and withdrawal benefits. These benefits become fully vested after 20 years of credited service. Employees may retire with a normal retirement benefit at age 50 with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least 10 but less than 20 years of service. Firefighters may retire with 25 years of service at any age. Employees are also eligible for a reduced early service retirement benefit upon termination of eligible employment with between 20 and 25 years of service and after attaining age 45. Benefits of retired firefighters are determined on a "formula" plan with normal benefits based on a percentage of the highest 60 months' average pay: 75% plus \$80 per month for each service year in excess of 20 years to the last completed month for service and disability benefits.

Widow benefits are based on 75% of the benefit the deceased firefighter would have been entitled to as a normal service retirement based upon the firefighter's salary and service at the time of death. The widow's benefit is 75% of the benefit the firefighter was receiving at the time of

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### B. Midland Firemen's Relief and Retirement Fund (continued)

###### 1. Plan Description (continued)

death if the firefighter was retired. Children's benefits until age 22 are 11.25% of the firefighter's average highest 60 months' pay if there is a surviving spouse. If there is no surviving spouse, children receive 22.50% of the firefighter's average highest 60 months' pay.

There are four Deferred Retirement Option Plans (DROP) and a 100% joint and survivor option.

DROP 1 allows a firefighter to contract with the fund to retire while he/she continues to be employed as a regular firefighter. His/her benefit and contributions are accumulated in a separate account with interest. DROP 1 may last no longer than three years at which time he/she leaves the Fire Department, receives his/her accumulated lump sum and begins receiving benefits as contracted for three years earlier.

DROP 2 is a reverse plan whereby the firefighter contracts to receive 90% of his/her normal retirement benefit and receives as a lump sum the reduced monthly benefit multiplied by 24 months.

DROP 3 allows a firefighter with at least 20 years of service and age 50 to declare his/her effective retirement date as no earlier than the date he/she actually had 20 years of service and was at least 50 years old. He/she receives a lump sum consisting of the benefit as of the effective date, his/her contributions since that date and interest thereon. A firefighter can DROP back to no more than three years. The 100% joint and survivor option allows the firefighter and his/her spouse to receive the same benefit for life, the normal benefit being reduced by 10% plus 0.4% per year that the beneficiary's age is less than the firefighter's age and minus 0.4% that the beneficiary's age is greater than the firefighter's. All benefits are subject to the IRS Sec. 415 limitation. Additionally, there is a \$10,000 death benefit for a beneficiary and a \$500 monthly supplement for the firefighter who retires at or after age 50 with 20 years of service or more. A 2% COLA is incorporated the January following 5 years of actual receipt of benefits and physical departure from the Fire Department. Under this plan, Midland firefighters are required to contribute 13.2% of their pay to the fund.

DROP 4 provides a Combined (Forward and Retroactive) DROP plan benefit. This option states that the firefighter must retire within three years of his Combined (Forward and Retroactive) DROP. The monthly benefit he will receive is determined based upon his salary and service at

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### B. Midland Firemen's Relief and Retirement Fund (continued)

###### 1. Plan Description (continued)

the beginning of the DROP period. At the conclusion of the DROP period, the firefighter will be paid an amount which is the sum of his employee contributions from the Forward DROP portion of the period plus the product of his monthly benefit amount times the number of months of the Forward DROP portion of the Combined (Forward and Retroactive) DROP period.

The plan was amended on October 1, 2008 to include a cost of living adjustment. Eligible firefighters and beneficiaries will receive payment on August 1 following the fifth full audited year of receipt of benefits by a firefighter and following a firefighter's physical departure from the Fire Department.

The City of Midland is statutorily required to make contributions that will equal the lesser of 9.00% or the firefighters' contribution rate. However, the City makes contributions equal to 21.20% of pay as authorized by Ordinance 9175 that adopted the Fiscal Year 2014 budget that incorporated the increase above the statutory rate. The benefit and contribution provisions of this plan, other than the City's contribution rate, are authorized by the Texas Local Fire Fighters Retirement Act (TELFRA).

a. Basis of Accounting – The Midland Firemen's Relief and Retirement Fund financial statements are prepared using the accrual basis of accounting. The fund's fiscal year is a calendar year. Employee and employer contributions are recognized as revenues in the period in which they are received by the Fund for benefit purposes but reported as accrued in the audited statements. Benefits paid and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

b. Method Used to Value Investments – The Midland Firemen's Relief and Retirement Fund's investments are reported at fair value. Investments in securities traded on a national securities exchange are valued based on the latest quoted market price as of each year-end. Investments that are not traded on a national securities exchange are valued at their fair values determined by the Trustees based on the market values of similar investments or on the basis of information obtained from qualified sources such as the custodial bank trust department, brokers, pricing services or appraisers.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### B. Midland Firemen's Relief and Retirement Fund (continued)

#### 2. Summary of Significant Accounting Policies and Plan Asset Matters

In accordance with the policy of stating investments at market value, the amount reflected as the net appreciation (depreciation) in fair value represents the net changes in market values from the beginning of the year or date of purchase (whichever is later) to the end of the year, adjusted for securities sold during the year. The fund has investments in Federated International Small Company Fund, 2514 Select Portfolio Limited, and Loomis Sayles Multi-sector Trust that represent 5% or more of the Fund's net assets. The fair value of these investments is \$4,212,310, \$4,318,257, and \$6,220,060, respectively. The Midland Firemen's Relief and Retirement Fund adopted the current plan effective October 1, 2000, amended November 1, 2002 and October 1, 2008.

#### 3. Funding Status and Progress

The Fund is required by statute to conduct actuarial studies once every three years and conducted the last study December 31, 2013 for the plan in effect at that time. The following disclosures relative to the funding and progress of the plan are made for the plan in effect and for the plan year ended December 31, 2013.

The funding policy of the Fund requires contributions equal to 13.2% of pay by the firefighters and 20.2% of pay by the City of Midland, effective October 1, 2007. In October 2013, the City's contribution rate was increased to 21.2%.

While the contribution requirements are not actuarially determined, State law requires that a qualified actuary must approve each plan of benefits adopted by the Fund. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement.

The City contributed \$2,886,871 on a covered payroll of \$14,130,288, as required by the actuarial valuation. Total payroll for fiscal year 2014 was \$50,193,058. Annual FRRF pension cost, NPO and related information for the last three years are as follows:

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 7. Employee Benefit Plans (continued)

#### B. Midland Firemen's Relief and Retirement Fund (continued)

	2013	2012	2011
Annual required contribution (ARC)	\$ 2,886,871	\$ 2,744,910	\$ 2,477,724
Annual pension cost	2,886,871	2,744,910	2,477,724
Contributions made	2,886,871	2,744,910	2,477,724
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	\$ -	\$ -	\$ -
Contributions as a percentage of annual pension cost	100%	100%	100%
Actuarial valuation date	December 31, 2013	N/A	December 31, 2011
Actuarial cost method	Entry age normal	N/A	Entry age normal
Amortization method	Level % of payroll	N/A	Level % of payroll
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Amortization period	59.1 years open	N/A	41.2 years open
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Inflation rate	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.00% after 5 years	2.00% after 5 years	2.00% after 5 years
Projected salary increases	11.50%–6.00%	11.50%–6.00%	11.50%–6.00%

As of January 1, 2014, the most recent actuarial valuation date, the plan was 66.82% funded. The actuarial accrued liability for benefits was \$117.4 million, and the actuarial value of assets was \$78.5 million, resulting in an UAAL of \$39.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.1 million, and the ratio of the UAAL to the covered payroll was 275.7%.

The required supplementary information reporting the six-year historical trend information relative to the FRRF's funding progress and employer contributions is presented in the RSI Section of the City's CAFR, following the notes.

#### C. Deferred Compensation

The City offers all employees a deferred-compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### C. Deferred Compensation (continued)

In compliance with the Small Business Job Protection Act of 1996 and the Taxpayer Relief Act of 1997, the nature of assets held by the U.S. Conference of Mayors and Hartford Variable Annuity Life Insurance Company is assets held in trust by the plan providers for the exclusive benefit of plan participants and their beneficiaries. The City retains no rights to plan assets or property nor has any liability for those assets.

##### D. Flexible Spending Account

The City offers all employees a flexible spending account, known as a cafeteria plan, which was established under Section 125 of the IRS code. Administration of the plan is contracted to a third party administrator. Employee contributions are transferred to the administrator and posted to a debit card which the employee may use to pay for qualified medical expenses. The City retains no assets or liabilities of the plan.

##### E. Health Reimbursement Account

The City established a Health Reimbursement Account (HRA) in accordance with Internal Revenue Code Section 105-106 for employees who participate in the City's health insurance program. Administration of the plan is handled by a third party administrator. The City contributes \$750 per year for each eligible employee hired prior to October 1, 2009 to pay medical expenses which meet the guidelines of the City's HRA plan. Reimbursement dollars received by the employee are tax free and unspent dollars can be rolled over from year to year.

##### F. Other Postemployment Retirement Benefits (OPEB)

###### 1. Plan Description

The City OPEB plan is a single-employer defined benefit "substantive plan" as understood by past practices of the employer and its employees. City employees employed prior to October 1, 2009 are eligible for retiree medical benefits if they are eligible for retirement plan benefits under the provisions of the Texas Municipal Retirement System or the City of Midland Fireman's Relief and Retirement Fund. Generally, employees eligible for retiree medical benefits are employees who retire with 25 years of service at any age or those employees who retire at age 60 with 10 years of service. Eligible participants include eligible spouses. The eligible member shall not be gainfully employed if receiving benefits from this plan. The City OPEB plan does not issue a publicly available financial report.

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# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 7. Employee Benefit Plans (continued)

#### F. Other Postemployment Retirement Benefits (OPEB) (continued)

Benefits are payable through a self-insured plan for eligible retirees and spouses until age 65. A Medicare Supplement Plan is available for eligible retirees and spouses who are age 65 and over.

#### 2. Funding Policy

The City of Midland allows retired employees to enroll in the City's health insurance plan. The City pays a fixed dollar amount toward the cost of group health coverage, based upon length of service (as of September 30, 2014, the amounts were \$247 per month for the retiree with 25 or more years service, \$221 for less than 25 years service, \$184 for less than 20 years service, and \$110 for 10 years or less service) or will provide a fixed dollar amount toward the purchase of a Medicare supplement policy (as of September 30, 2014, the amount was \$30 per month) if the retiree is eligible for Medicare. City contributions for these postemployment retirement benefits are strictly discretionary and are financed on a pay-as-you-go basis. OPEB contributions during the year ended September 30, 2014 were \$638,979, and there were 276 retirees participating in the plan at that date. The retired employees are required to pay the balance of their respective health plan contributions or premiums to participate in either plan.

#### 3. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

	<u>OPEB</u>
Annual required contribution	\$2,873,409
Interest on net OPEB obligation	686,887
Adjustment to annual required contribution	(1,168,148)
Annual OPEB cost (expense)	2,392,148
Contributions made	638,979
Increase in net OPEB obligation	1,753,169
Net OPEB obligation – beginning of the year	22,896,224
Net OPEB obligation – end	<u>\$24,649,393</u>

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

##### F. Other Postemployment Retirement Benefits (OPEB) (continued)

##### 3. Annual OPEB Cost and Net OPEB Obligation (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$5,097,075	10.8%	\$13,380,039
2013	5,097,075	11.4%	\$22,896,224
2014	2,392,148	26.7%	\$24,649,393

##### Funded Status and Funding Progress

The date of the most recent actuarial valuation date is June 2014. As of September 30, 2014, the actuarial accrued liability for benefits was \$34,605,162, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$50,193,058, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 68.9%. Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

##### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 7. Employee Benefit Plans (continued)

#### F. Other Postemployment Retirement Benefits (OPEB) (continued)

##### Actuarial Methods and Assumptions (continued)

In the June 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.5 percent inflation rate and 3 percent investment rate of return. The annual healthcare cost trend rate assumption is 8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after seven years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at September 30, 2014, was thirty years.

### 8. Leases

#### A. Operating Lease Receivables

The City enters in operating leases involving terminal space and other airport facilities at Midland International Air and Space Port (MAF). Additionally, the City has entered into an operating lease for use of and naming rights for the Security Bank Ballpark and Grande Stadium at the Scharbauer Sports Complex. Current year income for these leases was \$4,754,502 and \$359,968 for the Airport and Sports Complex, respectively. Minimum future rentals on noncancelable operating leases as of September 30, 2014 for each of the five subsequent fiscal years and in five-year increments thereafter are as follows:

Fiscal Year(s) Ending September 30	Airport Minimum Future Rentals	Sports Complex Minimum Future Rentals	Total Minimum Future Rentals
2015	\$ 2,174,241	\$ 348,790	\$ 2,523,031
2016	1,411,310	348,790	1,760,100
2017	1,411,310	348,790	1,760,100
2018	1,275,665	298,815	1,574,480
2019	1,279,970	253,850	1,533,820
2020–2024	512,239	595,667	1,107,906
2025–2029	555,284	97,500	652,784
2030–2034	589,720	-	589,720
2035–2038	361,580	-	361,580
Total	<u>\$ 9,571,319</u>	<u>\$ 2,292,202</u>	<u>\$11,863,521</u>

In general, the City's leasing arrangements for operating leases are as follows:

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 8. Leases (continued)

##### A. Operating Lease Receivables (continued)

###### Airline Exclusive Space and Joint Use Space

Scheduled airlines operating at Midland International Air and Space Port are required to sign a standard airline/airport use and lease agreement. These agreements allow the signatory airline the use of certain premises and facilities and the exercise of certain rights and privileges at the Midland International Air and Space Port in connection with the operation of an air transportation system.

Terminal building joint use and exclusive rates are currently \$20.50 per square foot per year (s.f.y.). The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if the Airport's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than \$20.50 per s.f.y.

All current airline lease agreements are in a holdover period. All of the terms and conditions of the lease shall remain unmodified and in full force and effect until a new lease has been agreed to and signed by both parties.

###### Fixed Base Operator (FBO) Leased Space

Currently, there are two Commercial Fixed Base Operator City-owned building/facility/land lease agreements between the Department of Airports and the existing FBOs.

The first lease agreement for properties located at Midland Airpark expires April 30, 2017. Rental rates for this lease vary by location with ground rental at \$0.05 per s.f.y. and building rentals from \$0.11 to \$1.13 per s.f.y. This agreement allows for rent to be adjusted annually, beginning January 1, 2009, to reflect changes in the Consumer Price Index (CPI).

The second lease is for ground rental at MAF. This lease expires December 31, 2037. Rental rates for this lease are currently at \$0.061 s.f.y. This lease provides for annual rental adjustments based on percentage increases in annual general aviation and military fuel sales. This lease also incorporates minimum base rental increases every five years throughout the term of this agreement. In no event will rental be adjusted below \$0.05 s.f.y.

###### Rental Car Facilities Lease Space

Car rental concessionaires operating at MAF are required to sign a standard Car Rental Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire the use of certain

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 8. Leases (continued)

##### A. Operating Lease Receivables (continued)

###### Rental Car Facilities Lease Space (continued)

premises and the exercise of certain rights, privileges and uses therein, as necessary to provide car rental service on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. In no event will the annual guarantee be lower than the base year. All Car Rental Concession agreements expire July 31, 2015.

###### Terminal Building Concession Lease Space

Restaurant and Gift Shop Concessionaires operating at MAF are required to sign a standard Concession agreement. These agreements guarantee minimum monthly/annual payments to the Airport and allow the concessionaire to use certain premises and exercise certain rights, privileges, and uses therein, as necessary to provide restaurant and gift shop services on the property at the Airport.

Minimum annual guarantee amounts are reviewed annually and adjusted as follows: the minimum annual guarantee will be the greater of the base year, or 85% of the previous year's actual rent payments. Minimum annual guarantees are subject to CPI adjustment every five years. In no event will the annual guarantee be lower than the base year. Restaurant and gift shop agreements expire September 30, 2019.

###### Scharbauer Sports Complex

##### 1. Security Bank Ballpark Use Lease

The Security Bank Ballpark use lease is a lease between Midland Sports, Inc. and the City with an initial 20-year term beginning April 1, 2002, and ending March 30, 2022, with two 5-year options to renew. The lease is noncancelable during the initial 20-year term. The lease agreement is for rights to use Security Bank Ballpark and executive office space and requires a good faith effort to play 68 home games each year by a AA major league baseball franchise. The lease rate was \$4,160 per month, due on the first day of each month, until May 1, 2007 when the rate increased to \$4,165 per month. The lease rate increased to \$4,170 on May 1, 2012 and shall increase to \$4,175 and May 1, 2017. An additional lump-sum lease fee of \$50,000 per year is due on September 30 of each year for the first 15 years of the initial 20-year lease term. 15% of net concession sales is payable to the City during the term of the lease.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 8. Leases (continued)

##### A. Operating Lease Receivables (continued)

##### Scharbauer Sports Complex (continued)

#### 2. Security Bank Ballpark Naming Rights

The Security Bank naming rights license agreement is an agreement between the City and Security Bank to name the baseball stadium at the Scharbauer Sports Complex Security Bank Ballpark. The full term of this agreement is 25 years and is divided into component units of 10 years and 5 years each. The first 10 years is the initial term, the next 5 years is the second term, and the subsequent terms shall consist of 2 terms of 5 years commencing at the end of the second term. The agreement requires payments of \$1,225,975, \$710,250, \$803,675, and \$909,350 during the initial through subsequent terms, respectively.

The agreement is cancelable any time during years 6 through 10 of the initial term upon payment of \$75,000 to the City and 1 year written notice of that intent to the City. Additionally, the agreement is cancelable at the end of the first term upon proper written notification to the City by Security Bank and payment of any additional license payments due during the term. The agreement is cancelable at any time during the subsequent terms of the agreement upon one year written notice with no penalties.

#### 3. Grande Stadium Use Lease

The Grande Stadium, a football/soccer stadium, use lease is a noncancelable lease between Midland Independent School District (MISD) and the City for use of the football/soccer stadium. The stadium is to be the home stadium of all MISD football and soccer teams and may be used by MISD for other MISD events with the consent of the City. The lease term is 20 years, August 1, 2002 through July 31, 2022. Under the terms of the lease, MISD is to pay the City \$50,000 per year rent plus a \$30,000 per year operating contribution plus 50% of net concession revenue. Subsequent to the initial five-year period of the lease and at every subsequent five-year period, the annual rent shall be adjusted based upon the change in the CPI - All Urban Consumers, All Items, Dallas - Fort Worth Area.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 8. Leases (continued)

#### A. Operating Lease Receivables (continued)

##### Scharbauer Sports Complex (continued)

#### 4. Grande Communications Naming Rights

The Grande Communications naming rights license agreement is an agreement between the City and Grande Communications - ClearSource, Inc. to name the football/soccer stadium at the Scharbauer Sports Complex Grande Communications Stadium. The full term of the agreement is 25 years. The agreement required payment of \$30,000 on or before December 1, 2002 and \$48,750 per year for the remaining term of the agreement. These payments are due on June 1 of each year with the first payment due June 1, 2003, and the final payment due on June 1, 2026. The agreement is noncancelable during the term of the agreement, except in the event of default as defined in the agreement, by either party.

#### B. Capital Leases

The City has an agreement with Midland County Fresh Water Supply District (Water District) to provide wholesale water delivery service from the T-Bar well field through the development of wells and related pipeline infrastructure to the City. This agreement qualifies as a capital lease for accounting purposes and the asset is recorded on the cost basis as the date of pipeline completion.

During 2014, the City entered into a second agreement with the Water District in the amount of \$30 million for the infrastructure to produce and deliver water from City-owned property at Clearwater Ranch. This agreement also qualifies as a capital lease for accounting purposes and the asset is recorded on the cost basis.

A summary of assets acquired through capital lease is as follows:

Infrastructure	\$226,576,160
Less: Accumulated depreciation	<u>(6,606,063)</u>
	\$219,970,097

The following is a summary of the capitalized lease transactions for the City for the year ended September 30, 2014:

	Balance at September 30, 2013	Capital Lease Commitments	Amortization of Capital Leases	Balance at September 30, 2014
Water and Sewer Fund	\$ 197,320,677	\$ 30,000,000	\$ (2,309,656)	\$ 229,630,333

(continued)

CITY OF MIDLAND, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

8. Leases (continued)

B. Capital Leases (continued)

The structuring of the debt by the Water District is included as a part of the wholesale water delivery service contract in the first agreement, and results in a negative amortization for Fiscal Year 2014.

Future minimum lease obligations and the net present value of these payments as of September 30, 2014, were as follows:

Fiscal Year Ending September 30:

2015	\$	8,652,032
2016		10,367,033
2017		10,369,923
2018		10,370,815
2019		10,369,711
2020-2024		51,844,207
2025-2029		72,859,870
2030-2034		128,337,162
2035-2039		128,337,162
2040-After		51,334,865
Total minimum lease payments		482,842,780
Less Interest at 3.33% and 5.02%		(253,212,447)
Present Value	\$	<u>229,630,333</u>

(continued)



# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 9. Long-Term Debt

The following is a summary of debt transactions for the year ended September 30, 2014:

	Balance at October 1, 2013	Increase	Decrease	Balance at September 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Refunding Bonds	\$ 2,127,739	\$ 3,800,000	\$ (967,154)	\$ 4,960,585	\$ 1,290,857
Certificates of Obligation	32,225,000	24,374,483	(5,965,000)	50,634,483	1,458,793
Plus Premium on Debt	860,776	3,233,327	(283,291)	3,810,812	411,366
Total Bonds Payable	35,213,515	31,407,810	(7,215,445)	59,405,880	3,161,016
Notes Payable	195,000	-	(95,000)	100,000	100,000
Compensated Absences Liability	5,845,265	4,392,484	(4,749,900)	5,487,849	3,819,644
Other Postemployment Benefits Payable	19,276,751	1,985,312	(503,709)	20,758,354	-
Self-Insurance Liability	3,065,678	6,819,364	(6,732,175)	3,152,867	1,143,541
Total Governmental Activity					
Long-term Debt	<u>\$ 63,596,209</u>	<u>\$ 44,604,970</u>	<u>\$ (19,296,229)</u>	<u>\$ 88,904,950</u>	<u>\$ 8,224,201</u>
<b>Business-Type Activities:</b>					
Water and Sewer:					
Certificates of Obligation	\$ 61,350,000	\$ -	\$ (2,135,000)	\$ 59,215,000	\$ 2,230,000
Plus Issuance Premiums	1,982,782	-	\$ (157,779)	1,825,003	\$ 152,041
Capital Lease Obligation	197,320,677	30,000,000	2,309,656	229,630,333	-
Airport:					
General Obligation Refunding Bonds	4,600,000	-	(1,460,000)	3,140,000	1,535,000
Plus Issuance Premiums	36,385	-	(21,187)	15,198	11,891
Sports Complex:					
General Obligation Refunding Bonds	19,955,000	-	(2,010,000)	17,945,000	2,110,000
Plus Issuance Premiums	421,647	-	(92,234)	329,413	81,493
Nonmajor Fund:					
Certificates of Obligation	-	1,805,517	-	1,805,517	16,207
General Obligation Refunding Bonds	127,261	-	(57,846)	69,415	34,143
Plus Issuance Premiums	1,252	216,796	(10,164)	207,884	18,543
Total Bonds Payable	285,795,004	32,022,313	(3,634,554)	314,182,763	6,189,318
Water and Sewer Fund:					
Compensated Absences Liability	291,931	325,300	(286,818)	330,413	220,991
Other Postemployment Benefits Payable	1,818,091	215,298	(87,842)	1,945,547	-
Sanitation Fund:					
Closure/postclosure care	12,524,297	1,054,006	-	13,578,303	-
Compensated Absences Liability	101,482	174,767	(167,312)	108,937	83,777
Other Postemployment Benefits Payable	965,539	109,555	(32,064)	1,043,030	-
Airport Fund:					
Compensated Absences Liability	205,098	194,327	(168,008)	231,417	159,979
Other Postemployment Benefits Payable	638,679	65,855	(15,364)	689,170	-
Nonmajor Fund:					
Compensated Absences Liability	72,560	31,069	(21,457)	82,172	52,284
Other Postemployment Benefits Payable	197,164	16,129	-	213,293	-
Total Business-Type					
Activity Long-term Debt	<u>\$ 302,609,845</u>	<u>\$ 34,208,619</u>	<u>\$ (4,413,419)</u>	<u>\$ 332,405,045</u>	<u>\$ 6,706,349</u>

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 9. Long-Term Debt (continued)

Long-term debt at September 30, 2014 consists of the following issues:

	Original Issue	Interest Rates	Final Maturity Date	Principal Outstanding	Annual Principal Installments	Call Provisions
General obligation bonds serviced by tax revenues:						
General Obligation Refunding Bonds, Series 2009	\$ 7,708,926	3.00%	2016	\$ 1,160,585	\$ 570,857–589,728	1
General Obligation Refunding Bonds, Series 2014	3,800,000	2.00–4.00%	2020	3,800,000	370,000–805,000	1
Total				<u>\$ 4,960,585</u>		
Certificates of obligation serviced by tax revenues:						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	6,910,000	4.00–5.00%	2027	\$ 5,290,000	305,000–530,000	4
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2009	9,855,000	3.00–4.25%	2029	8,120,000	420,000–700,000	6
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	13,590,000	3.00–4.25%	2032	12,850,000	515,000–950,000	7
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2014	24,374,483	2.00–5.00%	2034	24,374,483	218,793–1,890,000	8
Total				<u>\$ 50,634,483</u>		
Notes payable:						
HUD Section 108 Note Payable	\$ 1,045,000	6.25%	2015	\$ 100,000	\$ 100,000	2
General obligation bonds serviced by Enterprise Fund revenues:						
Airport Fund:						
General Obligation Refunding Bonds, Series 2006A	\$ 13,160,000	4.00–5.00%	2016	\$ 3,140,000	\$ 1,535,000–1,605,000	1
Scharbauer Sports Complex Fund:						
General Obligation Refunding Bonds, Series 2006B	28,970,000	4.00–5.00%	2022	17,945,000	835,000–2,800,000	3
Nonmajor Fund:						
General Obligation Refunding Bonds, Series 2009	461,074	3.00%	2016	69,415	34,143–35,272	1
Total				<u>\$ 21,154,415</u>		
Certificates of obligation serviced by Enterprise Fund revenues:						
Water and Sewer Fund:						
Combination Tax and Revenue Refunding Bonds, Series 2007	\$ 4,995,000	4.00%	2016	\$ 1,145,000	\$ 560,000–585,000	1
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2007	48,595,000	4.00–5.00%	2037	43,075,000	1,065,000–3,035,000	5
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2012	15,855,000	3.00–4.25%	2032	14,995,000	605,000–1,110,000	7
Nonmajor Fund:						
Tax and Waterworks and Sewer System (Limited Pledge) Revenue, Series 2014	1,805,517	2.00–5.00%	2034	1,805,517	16,207–140,000	8
Total				<u>\$ 61,020,517</u>		

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 9. Long-Term Debt (continued)

Call provisions for long-term debt of the City are as follows:

1. The bonds are not optional for redemption prior to maturity.
2. The aggregate principal amount of the note or any unpaid principal amount may be defeased in whole or in part as of any principal due date.
3. Callable as a whole or in part, bonds maturing 2017 through 2022, on March 1, 2016, or on any interest payment date thereafter at par plus accrued interest.
4. Callable as a whole or in part, bonds maturing 2018 through 2027, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.
5. Callable as a whole or in part, bonds maturing 2018 through 2037, on March 1, 2017, or on any interest payment date thereafter at par plus accrued interest.
6. Callable as a whole or in part, bonds maturing 2020 through 2029, on March 1, 2019, or on any interest payment date thereafter at par plus accrued interest.
7. Callable as a whole or in part, bonds maturing 2022 through 2032, on March 1, 2021, or on any interest payment date thereafter at par plus accrued interest.
8. Callable as a whole or in part, bonds maturing 2024 through 2034, on March 1, 2023, or on any interest payment date thereafter at par plus accrued interest.

The annual requirements to amortize debt outstanding as of September 30, 2014, including interest payments of approximately \$61,879,292, follow. Due to the nature of the self-insurance liability and the compensated absences liability, annual requirements to amortize such obligations are not determinable and have not been included in the following summary. The City intends to retire all of the long-term debt associated with governmental activities, other than bonds payable and certificates of obligation, from General Fund revenues as it has done in prior years. Debt associated with business-type activities will be retired with revenues generated by those activities.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 9. Long-Term Debt (continued)

City of Midland, Texas  
Debt Service Requirements to Maturity  
September 30, 2014

Fiscal Year Ending September 30,	Supported by General Government			Supported by Enterprise Funds			Total All Debt Service Requirements
	General Obligation Bonds, Certificates of Obligation and Notes Payable			General Obligation Bonds, Certificates of Obligation and Notes Payable			
	Principal	Interest	Total	Principal	Interest	Total	
2015	2,849,650	2,838,210	5,687,860	5,925,350	3,645,790	9,571,140	15,259,000
2016	3,434,728	2,159,066	5,593,794	6,240,272	3,326,898	9,567,170	15,160,964
2017	2,947,931	2,052,511	5,000,442	4,212,069	3,078,602	7,290,671	12,291,113
2018	3,060,173	1,939,099	4,999,272	4,399,827	2,888,814	7,288,641	12,287,913
2019	2,712,414	1,826,592	4,539,006	4,582,586	2,709,733	7,292,319	11,831,325
2020	2,833,966	1,715,976	4,549,942	4,791,034	2,502,803	7,293,837	11,843,779
2021	2,550,862	1,603,462	4,154,324	5,024,138	2,266,597	7,290,735	11,445,059
2022	2,667,069	1,489,629	4,156,698	3,157,931	2,079,806	5,237,737	9,394,435
2023	2,782,931	1,369,997	4,152,928	2,422,069	1,962,223	4,384,292	8,537,220
2024	2,913,793	1,242,586	4,156,379	2,536,207	1,851,864	4,388,071	8,544,450
2025	3,049,310	1,106,968	4,156,278	2,655,690	1,730,642	4,386,332	8,542,610
2026	3,184,828	968,535	4,153,363	2,780,172	1,608,170	4,388,342	8,541,705
2027	3,325,000	828,712	4,153,712	2,900,000	1,489,229	4,389,229	8,542,941
2028	2,914,828	691,916	3,606,744	3,020,172	1,364,936	4,385,108	7,991,852
2029	3,049,310	559,891	3,609,201	3,150,690	1,234,215	4,384,905	7,994,106
2030	2,453,793	439,611	2,893,404	3,291,207	1,095,427	4,386,634	7,280,038
2031	2,572,586	327,467	2,900,053	3,442,414	942,852	4,385,266	7,285,319
2032	2,686,379	208,849	2,895,228	3,603,621	781,689	4,385,310	7,280,538
2033	1,815,517	111,910	1,927,427	2,619,483	634,415	3,253,898	5,181,325
2034	1,890,000	37,800	1,927,800	2,755,000	501,425	3,256,425	5,184,225
2035	-	-	-	2,745,000	364,625	3,109,625	3,109,625
2036	-	-	-	2,885,000	223,875	3,108,875	3,108,875
2037	-	-	-	3,035,000	75,875	3,110,875	3,110,875
	\$ 55,695,068	\$ 23,518,787	\$ 79,213,855	\$ 82,174,932	\$ 38,360,505	\$ 120,535,437	\$ 199,749,292

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. The City is restricted by City Charter to a maximum of \$2.00 on each \$100.00 of appraised valuation. The City's current tax levy is \$0.046208 per \$100.00 valuation for the payment of debt. The Constitution and Statutes of the State of Texas and the Charter of the City of Midland do not provide for a legal debt limit. However, a limit of 8% of assessed value has been recommended by the Finance Advisory Board of the City of Midland and has been adopted by the City Council as a guideline of safe debt limit. This guideline provides the City with a debt margin of \$573,407,902.

The City has also issued certificates of obligation to provide funds for the acquisition and construction of major capital facilities owned and operated by the enterprise funds of the City. These certificates of obligation are supported by revenues of the respective enterprise funds and appropriately recorded as liabilities of the appropriate fund. There are a number of restrictions and requirements contained in the various indentures. Management believes that the City is in compliance with such restrictions and requirements at September 30, 2014.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 9. Long-Term Debt (continued)

On June 1, 1996, the City issued \$8,730,000 of City of Midland, Texas (Midland and Martin Counties), Waterworks and Sewer System Revenue Bonds, Series 1996 for the purpose of financing the expansion of and improvements to the City's primary wastewater treatment plant and funding an amount to be held in reserve. The bonds mature over a 20-year period and have interest rates ranging from 2.85% to 4.85%. Annual debt service requirements on this issue (including principal and interest) range from \$596,077 to \$673,453. All issues of these bonds subsequent to the May 2007 payment of \$425,000 have been defeased by placing proceeds from the City of Midland, Texas (Midland and Martin Counties), Combination Tax and Revenue Refunding Bonds, Series 2007 in an irrevocable trust to provide for all future principal and interest payments on the bonds. As of September 30, 2014, there is \$1,250,000 in aggregate of the refunded principal of these bonds outstanding, with an interest rate of 4.85%.

On November 27, 2000, the City entered into a contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as Amended, 42 U.S.C., Section 108 in the amount of \$1,045,000 for the purpose of paying costs of aiding in the establishment of an Advanced Technology Center to provide secondary and post secondary education opportunities using innovative technology and pay professional services rendered in relation to such project and the financing thereof. The terms of the contract require 15 annual principal payments with interest payments made semiannually. Interest payments from the date of the contract through August 9, 2001 were at a variable rate of the London Interbank Offered Rate plus 20 basis points. At August 9, 2001, Trust Certificates guaranteed by the Secretary of Housing and Urban Development were sold by the United States Department of Housing and Urban Development and interest rates on the outstanding maturities under the contract were fixed at rates ranging from 3.66% to 6.25%. Annual debt service requirements (including principal and interest) range from \$79,297 to \$109,476. All required payments made under the contract will be made using Water and Sewer Fund revenues. As of September 30, 2014, there is \$100,000 in aggregate principal of this loan outstanding.

On February 1, 2006, the City entered into a refunding transaction whereby \$13,160,000 of City of Midland, Texas General Obligation Refunding Bonds, Series 2006A, with interest rates ranging from 4.00% to 5.00%, were issued to call for redemption all outstanding Airport Subordinate Lien Revenue and Tax Certificates of Obligation, Series 1996 maturities subsequent to the March 1, 2006 payment date, principal amount, \$13,415,000, on February 23, 2006, and as such, these 1996 maturities are not included in the City's basic financial statements. The refunding bonds mature over a ten-year period and have annual debt service requirements (including principal and interest) ranging from \$366,277 to \$1,642,050. The refunding transaction resulted in a debt service savings of \$1,346,451 and a present value benefit of \$1,069,423 to the City.

On February 1, 2006, the City entered into a refunding transaction whereby \$28,970,000 of City of Midland, Texas General Obligation Refunding Bonds, Series 2006B, with interest rates ranging from 3.40% to 5.00%, were issued to advance refund City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation Series 2000, dated March 1, 2000, maturing on March 1 in each of the years 2011 through 2030, inclusive, and aggregating in the principal amount \$30,250,000. As a result, the refunded bonds are considered to be defeased and the

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 9. Long-Term Debt (continued)

liability is not included in the City's basic financial statements. The refunding bonds mature over a 16-year period from March 1, 2007 through March 1, 2022, and have annual debt service requirements (including principal and interest) ranging from \$813,169 to \$2,907,243.

On January 15, 2007, the City entered into a refunding transaction whereby \$4,995,000 of City of Midland, Texas (Midland and Martin Counties), Combination Tax and Revenue Refunding Bonds, Series 2007 with interest rates ranging from 4.00% to 4.25%, were issued to call for redemption all outstanding Waterworks and Sewer System Revenue Bonds, Series 1996 maturities subsequent to the May 1, 2007 payment date, principal amount, \$5,245,000 on February 23, 2007, and as such, these 1996 maturities are not included in the City's basic financial statements. The refunding bonds mature over a ten-year period and have annual debt service requirements (including principal and interest) ranging from \$565,527 to \$608,400. The refunding transaction resulted in a debt service savings of \$596,283 and a present value benefit of \$116,970 to the City.

On January 15, 2007, the City issued \$55,505,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 for the purpose of financing improvements and expansion to the water and sewer system, parks, streets, traffic systems, fire stations, and City facilities, and to pay the costs associated with the issuance of the certificates. The bonds mature over a 30-year period and have interest rates ranging from 4% to 5%. Annual debt service requirements on this issue (including principal and interest) range from \$3,108,875 to \$4,289,426.

On February 1, 2009, the City issued \$9,855,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009 for the purpose of paying contractual obligations to be incurred for construction, improvement, and acquisition of public works and equipment, improving, renovating and equipping existing City-owned buildings, including the Martin Luther King Community Center, the Midland Municipal Court Building, and the Midland Senior Center Building, acquiring, constructing, equipping and improving parks and park facilities within the City, including the Jenna Welch Nature Study Center, constructing and improving streets, including paving, drainage, traffic signage, and signalization, and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$711,563 to \$716,555.

On May 1, 2009, the City entered into a refunding transaction whereby \$8,170,000 of City of Midland, Texas (Midland and Martin Counties), General Obligation Refunding Bonds, Series 2009 with interest rates ranging from 2.5% to 3%, were issued to redeem the following:

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1997, dated February 15, 1997, scheduled to mature on March 1 in each of the years 2010 through 2012, inclusive, aggregating in principal amount \$1,215,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 9. Long-Term Debt (continued)

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1998, dated March 1, 1998, scheduled to mature on March 1 in each of the years 2010 through 2013, inclusive, aggregating in principal amount \$725,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1999, dated February 15, 1999, scheduled to mature on March 1 in each of the years 2010 through 2014, inclusive, aggregating in principal amount \$2,025,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001, dated February 15, 2001, scheduled to mature on March 1 in each of the years 2010 through 2016, inclusive, and aggregating in principal amount \$4,130,000, and called for redemption on June 3, 2009 at the price of par plus accrued interest to the date of redemption; and

As such, these maturities are not included in the City's basic financial statements. The refunding bonds mature over a eight-year period and have annual debt service requirements (including principal and interest) ranging from \$178,817 to \$1,706,888. The refunding transaction resulted in a debt service savings of \$424,744 and a present value benefit, economic gain, of \$445,184 to the City.

On January 15, 2012, the City issued \$29,445,000 of City of Midland, Texas (Midland and Martin Counties), Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 for the purpose of construction, improvement, and acquisition of public works and equipment, to wit: acquiring and installing a voice and data communication system for public service, including police and fire departments, improving, constructing and equipping fire fighting facilities, improving, constructing and equipping park and recreational facilities, improving and equipping the City's informational technology system, constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-ways therefor, improving and extending the City's water and sewer system and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 3% to 4.25%. Annual debt service requirements on this issue (including principal and interest) range from \$2,096,756 to \$2,104,525.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 9. Long-Term Debt (continued)

On January 15, 2014, the City entered into a refunding transaction whereby \$3,800,000 of City of Midland, Texas, General Obligation Refunding Bonds, Series 2014 with interest rates ranging from 2% to 4%, were issued to redeem the following:

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003, dated February 15, 2003, scheduled to mature on March 1 in each of the years 2014 through 2018, inclusive, aggregating in principal amount \$2,055,000, and called for redemption at the price of par plus accrued interest to the date of redemption; and

City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2005, dated February 15, 2005, scheduled to mature on March 1 in each of the years 2015 through 2020, inclusive, and aggregating in principal amount \$2,365,000, and called for redemption on at the price of par plus accrued interest to the date of redemption; and

As such, these maturities are not included in the City's basic financial statements. The refunding bonds mature over a six-year period and have annual debt service requirements (including principal and interest) ranging from \$62,560 to \$851,300. The refunding transaction resulted in a debt service savings of \$303,558 and a present value benefit, economic gain, of \$289,950 to the City.

On January 15, 2014, the City issued \$26,180,000 of City of Midland, Texas, Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 for the purpose of construction, improvement, and acquisition of public works and equipment, acquiring and installing a voice and data communication system for public service, including police and fire departments, improving, constructing and equipping fire fighting facilities, improving, constructing and equipping park and recreational facilities, improving and equipping the City's informational technology system, constructing and improving streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental thereto and the acquisition of land and rights-of-ways therefor, and paying professional services rendered in relation to such projects and the financing thereof. The bonds mature over a 20-year period and have interest rates ranging from 2% to 5%. Annual debt service requirements on this issue (including principal and interest) range from \$2,067,150 to \$2,072,050.

#### 10. Restricted Assets

Certain resources of the City are classified as restricted assets on the statement of net position and balance sheet because their use is limited by applicable bond covenants or City ordinance.

(continued)



# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 11. Interfund Transactions

Interfund payables, receivables and advances at September 30, 2014, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Advance to</u>	<u>Advance from</u>	<u>Notes Receivable</u>	<u>Notes Payable</u>
Major fund:						
General Fund	\$ 83,204	\$ -	\$ 835,708	\$ -	\$ -	\$ -
Enterprise Fund:						
Airport Fund	-	-	-	-	-	-
Nonmajor Funds:						
Special Revenue Funds:						
Community Development Fund	-	77,163	-	-	-	-
Capital Projects Fund:						
Animal Shelter Facility and Equipment Fund		6,041				
Enterprise Fund:						
Golf Course Fund	-	-	-	835,708	-	1,115,755
Internal Service Fund:						
Garage Fund	-	-	-	-	1,115,755	-
Total	<u>\$ 83,204</u>	<u>\$ 83,204</u>	<u>\$ 835,708</u>	<u>\$ 835,708</u>	<u>\$ 1,115,755</u>	<u>\$ 1,115,755</u>

The advance to the Golf Course Fund is related to Golf Course Fund debt service and is to be repaid from Golf Course Player Facility Charge revenues upon retirement of the Golf Course Fund debt associated with the General Obligation Refunding Bonds, Series 2009.

The note payable from the Golf Course Fund to the Garage Fund was generated in order to make capital improvements to Hogan Park Golf Course. The note is interest bearing and is to be repaid as revenue becomes available from a Golf Course Player Facility Charge instituted specifically for capital improvements of the Golf Course.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 11. Interfund Transactions (continued)

Interfund transfers during the year ended September 30, 2014 were as follows:

<u>Fund/Purpose of Transfer</u>	<u>Transfer From</u>	<u>Transfer To</u>
Major governmental funds:		
General Fund:		
Nondepartmental services	\$ -	\$ 750,000
Direct cost allocation	-	4,520,262
Sports complex support	590,937	-
Debt Service Fund:		
Section 108 loan servicing	-	107,112
Limited water and sewer revenue pledge	-	2,500
Receipt of unused old bond funds	-	26,816
Nonmajor governmental funds:		
Special Revenue Fund:		
Hotel-Motel Fund – direct cost allocation	21,613	-
TIRZ #1 Fund – direct cost allocation	33,000	
Capital Projects Fund:		
2014 General Purpose Certificates of Obligation Fund	4,017,596	
Move unused bond funds moved to debt service:		
1999 General Purpose Certificates of Obligation	2,612	
2001 General Purpose Certificates of Obligation	15,921	
2003 General Purpose Certificates of Obligation	65	
2005 General Purpose Certificates of Obligation	8,218	
Major proprietary funds:		
Enterprise funds:		
Water and Sewer Fund:		
Nondepartmental services	750,000	-
Limited water and sewer revenue pledge	2,500	-
Direct cost allocation	1,300,289	-
Section 108 loan - debt service	107,112	-
Sanitation Fund – direct cost allocation	598,626	-
Airport Fund – direct cost allocation	1,500,000	-
Sports Complex Fund:		
Direct cost allocation	379,525	-
Sports complex support	-	590,937
Nonmajor proprietary funds:		
Golf Course Fund:		
Direct cost allocation	110,589	-
Internal Service Funds:		
Garage Fund – direct cost allocation	550,586	-
Warehouse Fund – direct cost allocation	26,034	-
Technology Fund – bond proceeds	-	4,017,596
Totals	<u>\$ 10,015,223</u>	<u>\$ 10,015,223</u>

The interfund transfers of \$590,937 to the Sports Complex Fund alleviated cash flow deficits in Fiscal Year 2014.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 12. Status of Capital Grants

In July 2012, the City accepted A.I.P. Grant No. 3-48-0150-53-12 in the amount of \$2,936,924 to be used for the payment of cost associated with the Reconstruct Executive Apron Area B Project. This project was completed as of September 2014.

In August 2013, the City accepted A.I.P. Grant No. 3-48-0150-54-13 in the amount of \$3,404,500 to be used for the payment of cost associated with seven projects- The Airfield Lighting Cabling Replacement and Airfield Signage, Phase 1 with an estimated cost of \$90,000; Rehabilitate Entrance Road Pavement and Guidance Signage, Phase 1 with an estimated cost of \$87,300; Rehabilitate Emergence Perimeter Road and Access Gates with an estimated cost of \$688,351; Airfield Security Access Control Gate, Phase 1 with an estimated cost of \$27,000; Construct Runway 16R Run-up Apron, Phase 1 with an estimated cost of \$82,800; Wildlife Hazard Management Plan with an estimated cost of \$19,397 and the Northwest Taxilane Extension with an estimated cost of \$2,409,652. All 7 projects were still active as of September 2014.

#### 13. Contingent Liabilities

The City participates in numerous federally assisted programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Airport Improvement Program Grants, and various construction and capital acquisition grants.

In connection with these grants, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives, including audits under the "single audit" concept and compliance examinations, which build upon such audits.

In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, if any, the City expects the resulting liability to be immaterial.

The City appealed a Class I classification of a waste pit by the Texas Water Commission Waste Classification Group to the Environmental Protection Agency (E.P.A.). The E.P.A. denied the City's appeal and upheld the Class I classification of the waste pit. Subsequently, the City applied to the Texas Natural Resource Conservation Commission (T.N.R.C.C.) for permission to close the waste pit in place. The application to close the waste pit in place was approved and closure was completed and approved by T.N.R.C.C. in June 1997. The City has properly recorded the property deed and must inspect the waste pit quarterly through June 1999 and annually thereafter.

The City has \$9.34 million in interest free forgivable loans as part of economic development agreements with the MDC for various infrastructure construction projects. These items are presented in the financial statements as due to component unit. The City anticipates that the terms of the agreement will be satisfied and repayment will not be required.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 14. Risk Management

The City is exposed to various risks of loss related to torts: environmental or eminent domain claims; civil rights claims; equal employment opportunity claims; wage and hour claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical and dental claims of employees and their dependents; and natural disasters. The City maintains fire and extended coverage insurance for City buildings, furnishings, and computer equipment. This coverage provides replacement cost coverage with an annual limit of \$221,461,830, and a \$25,000 per occurrence deductible.

The City also maintains the following other insurance coverage: Airport Liability coverage for Personal Injury Liability and Malpractice Aggregate Liability coverage with a \$10,000,000 per occurrence and annual aggregate with \$25,000 per occurrence deductible for each type of coverage, Ground Hangar Keepers Legal Liability coverage with a \$10,000,000 per occurrence and annual aggregate, and \$100,000 Fire Damage coverage; Boiler and Machinery Liability coverage of \$25,000,000 per occurrence with a \$25,000 deductible; Healthcare Professional Liability Protection for the Health Department with a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit; Errors and Omissions coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Law Enforcement Liability coverage with a \$25,000 per occurrence deductible, \$3,000,000 per claim limit and a \$6,000,000 aggregate annual limit; Auto Catastrophe coverage with limit of liability \$1,485,319 and a \$50,000 deductible; Automobile Liability coverage of \$1,000,000 per occurrence with a \$50,000 deductible; General Liability coverage of \$1,000,000 each occurrence and a \$2,000,000 aggregate limit with a \$50,000 deductible; Medical claims stop-loss coverage for claims exceeding \$175,000 per occurrence with an annual aggregate reinsurance limit on claims in excess of \$9,316,110 and Specific Excess and Aggregate Excess Workers' Compensation coverage for claims in excess of \$450,000 per occurrence up to \$1,000,000 per occurrence, which is the statutory employer's maximum liability per occurrence.

No settlements during each of the last three years have exceeded commercial coverage purchased. Other than the above coverages provided by insurance, the City retains all risk of loss.

The City charges interfund premiums based primarily upon the insured funds' claims experience and exposure, which are reported as insurance expenditure/expense in the funds charged and operating revenue in the self-insurance funds, which are accounted for as internal service funds. The City accrues all losses and claims if information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Claims incurred but not reported (IBNR) are also accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liabilities for IBNR in the General Liability and Workers' Compensation Self-Insurance Funds are estimates calculated by an actuary. The accrued liability for IBNR in the Medical/Dental Self-Insurance Fund is based on management's estimate.

The City maintains a Workers' Compensation Self-Insurance Fund. The purpose of this fund is to pay workers' compensation claims that are outside the limitations of purchased coverage from assets of the fund.

(continued)

# CITY OF MIDLAND, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### 14. Risk Management (continued)

The City also maintains a Medical/Dental Self-Insurance Fund. The purpose of this fund is to pay medical and dental claims that are outside the limitations of purchased coverage, for City of Midland employees and their covered dependents and to minimize the cost of medical and dental insurance to the City.

The City also maintains a General Liability Self-Insurance Fund to pay general liability claims, other than those covered by purchased insurance against the City from accumulated assets of the Fund. The Texas Tort Claims Act provides for statutory limits of \$250,000 per person and \$500,000 per occurrence for bodily injury or death and \$100,000 per occurrence for property damage in liability claims against a municipality.

The claims liabilities for self-insurance funds are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred and the amount of the loss can be reasonably estimated at the date of the financial statements.

Changes in the claims liability amounts for each of the self-insurance funds in the fiscal years ended September 30, 2013 and 2014 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2012-2013				
Workers' Compensation	\$ 1,110,193	\$ 696,274	\$ 624,937	\$ 1,181,530
Medical/Dental	636,287	5,528,349	5,495,154	669,482
General Liability	1,065,153	469,594	320,081	1,214,666
Total	<u>\$ 2,811,633</u>	<u>\$ 6,694,217</u>	<u>\$ 6,440,172</u>	<u>\$ 3,065,678</u>
2013-2014				
Workers' Compensation	\$ 1,181,530	\$ 922,629	\$ 774,567	\$ 1,329,592
Medical/Dental	669,482	5,528,349	5,639,721	558,110
General Liability	1,214,666	368,386	317,887	1,265,165
Total	<u>\$ 3,065,678</u>	<u>\$ 6,819,364</u>	<u>\$ 6,732,175</u>	<u>\$ 3,152,867</u>

### 15. Commitments

The City leases water rights that represent approximately 13% of the City's water sources. One of the leases renewed in August 2008, and as of August 2013 requires payment at a constant five-year rate of \$0.50 per 1000 gallons. The second, smaller lease was renewed in February 2011 and requires payment at a constant five-year rate of \$0.40 per 1000 gallons. Total royalty paid amounted to \$524,534 in Fiscal Year 2014.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 15. Commitments (continued)

The City owns property that serves as a wastewater disposal site. There are approximately 12,500 acres at two sites for this purpose.

The Colorado River Municipal Water District (the CRMWD) was issued a permit in May 1985 by the Texas Commission on Environmental Quality (formerly, Texas Natural Resource Conservation Commission) to construct a 554,000-acre-foot dam and reservoir on the Colorado River and impound water in Coleman, Concho and Runnels Counties, Texas. This project is known as the O. H. Ivie Reservoir (the Project).

The City of Midland entered into a contract with CRMWD in September 1985, under which the City obtained a 16.54% interest in the Project's water rights. CRMWD agreed to provide the City a source of water from O. H. Ivie Reservoir limited annually to 16.54% of the safe yield of the reservoir. The City agreed to pay CRMWD a sum equal to 16.54% of the cost of the Project plus annual operating costs.

CRMWD is responsible for the care, operation, and maintenance of the Project. The City does not have an ownership interest in the assets of the Project or CRMWD nor is it directly liable for the revenue bonds issued by CRMWD to finance the Project. The City's share of project costs is expensed as water rights in the Water and Sewer Fund. Payments by the City to CRMWD are made solely from the gross revenues of the City's water and sewer system. The terms of the City-CRMWD contracts shall continue and be effective during the entire useful life of the Project.

In November 1985, CRMWD issued \$53,590,000 of revenue bonds with interest rates ranging from 8.25% to 11.25%. The City's operating cost to reimburse CRMWD for the Project costs is estimated to approximate \$900,000 per year through the year 2016 with expected payments totaling \$26,000,000.

The annual required payment as specified above will be reduced by an amount equal to 16.54% of the estimated investment earnings attributable to the proceeds from the sale of the revenue bonds. The City paid \$727,922 to CRMWD in Fiscal Year 2014, as the City's 16.54% interest in the Project costs. This amount is recorded as an expense in the City's financial statements for the year ended September 30, 2014.

CRMWD and the City of Midland entered into a water transmission contract on June 29, 1988, which provides for the construction and operation of raw water transmission pipelines, pump stations, and other facilities required to transmit water from O.H. Ivie Reservoir to Midland.

The water transmission system was constructed with the proceeds of \$115,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1991 sold August 6, 1991, \$9,000,000 Water System Revenue Bonds (Water Transmission Facilities Project), Series 1994 sold September 27, 1994, and \$3,500,000 of Colorado River Municipal Water District cash contributions.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 15. Commitments (continued)

The system consists of a main pump station with five intermediate booster pump stations; each includes pumping units, electric motor controls and appurtenances, a steel- or earth-constructed surge tank and pipelines necessary to complete the Project. Electrical transmission lines sufficient to service the main pump station and booster pumps were constructed from suitable generating sources. The pipeline is approximately 158 miles long with lines ranging in diameter from 53 to 60 inches.

The water transmission system was constructed in three segments:

Segment 1 is capable of delivering up to 90 million gallons per day to a junction point near San Angelo.

Segment 2 is capable of delivering up to 65 million gallons per day to a junction point near Big Spring.

Segment 3 is capable of delivering up to 55 million gallons per day to Odessa/Midland termination point.

The City of Midland shared in the total construction costs at the rate of 22.222% of Segment 1, 30.769% of Segment 2, and 36.364% of Segment 3. The City also shared 22.222% of the total construction costs of the O. H. Ivie Pump Station Substructure. Operation and maintenance of the system is provided for by contractual agreements executed between the parties. The City paid \$2,684,635 to CRMWD in 2014, pursuant to this agreement.

The City's estimated annual commitment for the pipeline construction under this contract is \$2.76 million per year for a 30-year period beginning in 1994.

The City has active construction projects as of September 30, 2014. Total commitments for ongoing capital projects are composed of the following:

Municipal Court	\$	14,193,295
General Facilities		2,778,673
Streets and Drainage		17,975,544
Parks and Recreation		4,788,571
Technology		9,264,888
Police		290,059
Fire		1,311,756
Water and Sewer		8,005,409
Sanitation		1,019,247
Airport		5,215,693
Sports Complex		953,192
Total Capital Projects	\$	<u>65,796,327</u>

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 16. Litigation

The City is a party to several legal actions arising in the ordinary course of its business. In the opinion of the City's management, upon advice of the City Attorney, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

#### 17. Closure and Postclosure Care Cost

The City adopted GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, for the fiscal year beginning October 1, 1993.

State and federal laws and regulations require the City to place a final cover on the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605 site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Total current cost has been adjusted for the effects of inflation by using the Consumer Price Index for all Urban Consumers (CPI-U): Selected areas by Expenditure Category and Commodity and Service Group for Dallas-Fort Worth, Texas.

The base period selected was June 1993. The index change from July 2013 through July 2014 was 1.01%. The amount expensed for the year ended September 30, 2014 is \$1,054,006. This \$13,578,303 reported as landfill closure and postclosure care liability at September 30, 2014, represents the cumulative amount reported to date based on the use of 18.5% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$53,352,727 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended September 30, 2014. The City expects to close the landfill in the year 2053. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. These regulations require that financial assurance to perform closure, postclosure and corrective activities for landfill operations be provided.

The City has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component and a record-keeping and reporting component.



## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 17. Closure and Postclosure Care Cost (continued)

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, postclosure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by a local government requires the following disclosures be made.

- A. The specific facility covered is the City of Midland Municipal Solid Waste Facility, Texas Natural Resource Conservation Commission Permit #1605.
- B. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates.

Closure	\$	7,223,742
Post-Closure		13,074,014
Corrective action		<u>-</u>
Total	\$	<u>20,297,756</u>

- C. The anticipated year of closure is 2053 with closure costs having been fully incurred at that time. It is anticipated that postclosure costs will be incurred evenly across the 30-year postclosure monitoring period at \$435,800 per year.

#### 18. Related Organizations

The City is responsible for appointing the members of the boards of the Midland Economic Development Corporation (MEDCO) and the Midland Housing Finance Corporation (MHFC) but the City's accountability for these organizations does not extend beyond making the appointments. For the year ended September 30, 2014, the City appropriated no funds for the use of either organization.

#### 19. Joint Venture

An interlocal agreement between the Cities of Midland and Odessa established the MOUTD as an urban transportation system provider under Chapter 458 of the Texas Transportation Code. The MOUTD began operating bus routes during the year ended September 30, 2004. Federal and state grants were obtained to cover start-up costs and purchases of buses and vehicles, as well as portions of operating costs. Both cities also contribute money for operations to the MOUTD. Should either city choose to withdraw from the interlocal agreement, a pro rata share of net position and capital equipment acquired by MOUTD with Texas Department of Transportation section 5307 funds or 5307 matching funds during the time in which the local government was a party to the agreement shall be transferred to the local government. Upon dissolution of the MOUTD, the net assets shall be disposed in accordance with the agreement of the cities and the laws of the State of Texas and the United States. Audited financial statements are available by contacting the Midland-Odessa Urban Transit District at 8007 E. Highway 80, Odessa, TX 79765.

(continued)

## CITY OF MIDLAND, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

#### 20. Discretely Presented Component Units

##### Significant Accounting Policies

The SCDC, the MDC and the Spaceport are accounted for using the economic resources measurement focus and are presented as a discretely presented component units on the accrual basis of accounting.

##### Revenues and Expenses

The main revenue source for the SCDC is the Type B sales tax revenue and SCDC is bound by contract to pay all Type B sales tax revenues received to the City to pay for costs associated with the 2000 and 2001A City of Midland Certificates of Obligation and the City of Midland General Obligation Refunding Bonds, Series 2006B (see note 9). In addition, the proceeds of the Type B sales tax revenue may be used for maintenance costs of the football/soccer stadium, the baseball stadium and related parking facilities, and related infrastructure and improvements, not to exceed ten percent of the audited Type B sales tax revenue collected for the previous twelve months prior to September 30 of the previous fiscal year.

The main revenue source for the MDC is the Type A sales tax revenue, which became effective April 1, 2002. The MDC will incur expenses for economic development activities and operating expenses. The MDC expenses for fiscal year 2014 consisted of consulting and administrative expenses of \$1,544,383 and economic development expenses of \$11,592,321.

The Spaceport began operations on October 16, 2013. There were no transactions during this first year of operation.

##### Assets and Liabilities

The SCDC assets consist solely of accrued sales tax revenues. A liability in the exact amount of the accrued sales tax revenues is recognized because of the SCDC contractual liability to the City.

The MDC assets consist primarily of sales tax revenues receivable, investments and capital assets in the form of land, a building and improvements. The MDC's liabilities as of September 30, 2014 consist of amounts due for contractual agreements.

The Spaceport had no assets or liabilities at September 30, 2014.

#### 21. Fund Deficit

The Animal Shelter Facility and Equipment Fund had an accumulated deficit of \$6,044 at September 30, 2014. This deficit will be eliminated during the fiscal year ending September 30, 2015.

(continued)

**CITY OF MIDLAND, TEXAS**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2014**  
**(Unaudited)**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Adjustments–</b>	<b>Actual on a</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Budgetary</b>	<b>Budgetary</b>	<b>Final Budget –</b>
				<b>Basis</b>	<b>Basis</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>Revenues:</b>						
Taxes	\$ 82,530,661	\$ 82,530,661	\$ 92,001,619	\$ -	\$ 92,001,619	\$ 9,470,958
Licenses and permits	1,444,900	1,444,900	3,091,399	-	3,091,399	1,646,499
Fines and forfeitures	4,302,000	4,302,000	3,783,005	-	3,783,005	(518,995)
Charges for services	7,558,448	7,558,448	2,640,062	4,581,994	7,222,056	(336,392)
Rentals	8,292	8,292	14,244	-	14,244	5,952
Intergovernmental	1,333,927	1,333,927	859,928	-	859,928	(473,999)
Investment earnings	480,000	480,000	1,327,357	-	1,327,357	847,357
Contributions and donations	500,000	500,000	676,064	-	676,064	176,064
Miscellaneous	265,000	265,000	330,185	-	330,185	65,185
<b>Total revenues</b>	<b>98,423,228</b>	<b>98,423,228</b>	<b>104,723,863</b>	<b>4,581,994</b>	<b>109,305,857</b>	<b>10,882,629</b>
<b>Expenditures:</b>						
General government:						
Administration	1,420,891	1,682,888	1,681,529	-	1,681,529	1,359
Support services	13,295,240	14,678,830	13,752,715	-	13,752,715	926,115
Fiscal management	2,170,222	2,261,026	2,260,620	-	2,260,620	406
Development services	3,722,564	3,664,447	3,350,847	61,732	3,412,579	251,868
Engineering	13,944,070	13,905,183	13,905,183	-	13,905,183	-
Community services	10,266,859	10,315,687	10,261,957	-	10,261,957	53,730
Police	24,790,309	25,915,380	25,416,580	-	25,416,580	498,800
Fire	22,467,771	24,511,664	24,516,468	-	24,516,468	(4,804)
Other	4,246,775	3,476,971	3,475,988	-	3,475,988	983
<b>Total expenditures</b>	<b>96,324,701</b>	<b>100,412,076</b>	<b>98,621,887</b>	<b>61,732</b>	<b>98,683,619</b>	<b>1,728,457</b>
Excess (deficiency) of revenues over (under) expenditures	<u>2,098,527</u>	<u>(1,988,848)</u>	<u>6,101,976</u>	<u>4,520,262</u>	<u>10,622,238</u>	<u>12,611,086</u>
<b>Other financing sources (uses):</b>						
Sale of capital assets	-	-	-	-	-	-
Transfers in	750,000	750,000	5,270,262	(4,520,262)	750,000	-
Transfers out	(2,848,527)	(590,940)	(590,937)	-	(590,937)	3
<b>Total other financing sources (uses)</b>	<u>(2,098,527)</u>	<u>159,060</u>	<u>4,679,325</u>	<u>(4,520,262)</u>	<u>159,063</u>	<u>3</u>
<b>Net change in fund balances</b>	<b>-</b>	<b>(1,829,788)</b>	<b>10,781,301</b>	<b>-</b>	<b>10,781,301</b>	<b>12,611,089</b>
<b>Fund balances – beginning</b>	<u>58,860,503</u>	<u>58,860,503</u>	<u>58,860,503</u>	<u>-</u>	<u>58,860,503</u>	<u>-</u>
<b>Fund balances – ending</b>	<u>\$ 58,860,503</u>	<u>\$ 57,030,715</u>	<u>\$ 69,641,804</u>	<u>\$ -</u>	<u>\$ 69,641,804</u>	<u>\$ 12,611,089</u>

The notes to required supplementary information are an integral part of this schedule.

## **CITY OF MIDLAND, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**September 30, 2014**

#### Budgetary Data

The City Council follows these procedures in establishing the annual budget:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them. Annual budgets are legally adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles, except for the classification of interfund transfers for General Fund services to other funds as charges for services for budgetary purposes instead of interfund transfers. Formal budgetary integration is not employed for the proprietary funds. The City adopts an annual budget for managerial control for all proprietary funds.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted annual operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Supplemental appropriations during the year must be approved and adopted by the City Council through passage of resolution. During fiscal year 2014, there was \$4,087,375 in appropriation increases for the General Fund.
6. At the close of each fiscal year, unexpended budgetary appropriations lapse or revert to the undesignated fund balance. The unexpended appropriation balances in capital projects do not lapse at year-end.

The Budgetary Comparison Schedule, included in the required supplementary information, presents a comparison of the original and final amended budgets for the period to actual results of operations for the General Fund. There are no major special revenue funds.

**CITY OF MIDLAND, TEXAS**  
**Adjustments to Revenues, Expenditures and Other**  
**Financing Uses from GAAP Basis to Budgetary Basis**  
**For the Year Ended September 30, 2014**  
**(Unaudited)**

	<b>Net Change in Fund Balances General Fund</b>
	<hr/>
GAAP basis	\$ 10,781,301
Revenues:	
Increase due to redefining interfund charges as interfund transfers	4,581,994
Expenditures:	
Increase due to redefining interfund charges as interfund transfers	(61,732)
Other financing (uses):	
Decrease due to redefining interfund charges as interfund transfers	<u>(4,520,262)</u>
Budgetary basis	\$ <u><u>10,781,301</u></u>

The notes to required supplementary information are an integral part of this statement.

**City of Midland, Texas**  
**Required Supplementary Information**  
**Schedule of Actuarial Liabilities and Funding Progress**  
**Texas Municipal Retirement System**  
**Last Three Calendar Years**  
**(Unaudited)**

Actuarial Valuation Date	12/31/13	12/31/12	12/31/11
Actuarial Value of Assets (1)	\$ 235,889,279	\$ 222,453,117	\$ 210,714,570
Actuarial Accrued Liability (1)	275,379,574	248,729,549	239,826,317
Percentage Funded	85.66%	89.44%	87.86%
Unfunded Actuarial Accrued Liability (UAAL)	39,490,295	26,276,432	29,111,747
Annual Covered Payroll (2)	40,289,162	38,257,521	34,442,094
UAAL as a Percentage of Covered Payroll	98.02%	68.68%	84.52%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost (2):			
Annual Required Contribution (ARC)	6,643,686	6,473,174	7,580,704
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
Contributions Made (2)	6,643,686	6,473,174	7,580,704
Increase in NPO	-	-	-
NPO at the end of period	\$ -	\$ -	\$ -

(1) Information is from appropriate year supplements to TMRS annual reports.

(2) Extracted from City of Midland annual reports.

**City of Midland, Texas**  
**Required Supplementary Information**  
**Schedule of Actuarial Liabilities and Funding Progress**  
**Midland Firemen's Relief and Retirement Fund**  
**Last Three Calendar Years**  
**(Unaudited)**

Actuarial Valuation Date	12/31/13 (1)	12/31/12 (1)	12/31/11
Actuarial Value of Assets (2)	\$ 78,481,491	\$ 72,112,476	\$ 73,066,776
Actuarial Accrued Liability (2)	117,444,545	N/A	101,158,743
Percentage Funded	66.82%	N/A	72.23%
Unfunded Actuarial Accrued Liability (UAAL)	38,963,054	N/A	28,091,967
Annual Covered Payroll (2)	14,130,288	13,588,665	12,265,959
UAAL as a Percentage of Covered Payroll	275.74%	N/A	229.02%
Net Pension Obligation (NPO) at the Beginning of Period	-	-	-
Annual Pension Cost (2):			
Annual Required Contribution (ARC)	2,886,871	2,744,910	2,477,724
Interest on NPO	-	-	-
Adjustment to ARC	-	-	-
Contributions Made (2)	2,886,871	2,744,910	2,477,724
Increase in NPO	-	-	-
NPO at the end of period	\$ -	\$ -	\$ -

(1) Actuarial valuation was not completed as of December 31, 2012.

(2) Information is from actuarial reports prepared for the Midland Firemen's Relief and Retirement Fund. In years where an actuarial report is not prepared, the value of plan assets is extracted from the Midland Firemen's Relief and Retirement Fund audit for the appropriate year and Annual Covered Payroll and Contributions Made is extracted from the appropriate year City of Midland audit.

**City of Midland, Texas**  
**Required Supplementary Information**  
**Schedule of Actuarial Liabilities and Funding Progress**  
**Retiree Health Plan**  
**(Unaudited)**

Actuarial Valuation Date	12/31/13 (3)	12/31/12 (3)	12/31/11
Actuarial Value of Assets (1)	\$ -	\$ -	\$ -
Actuarial Accrued Liability (1)	34,605,162	N/A	52,657,298
Percentage Funded	0.00%	N/A	0.00%
Unfunded Actuarial Accrued Liability (UAAL)	34,605,162	N/A	52,657,298
Annual Covered Payroll (2)	50,193,058	55,325,868	50,110,665
UAAL as a Percentage of Covered Payroll	68.94%	N/A	105.08%

(1) As of June 12, 2014, the date of the actuarial reports prepared for the City of Midland.

(2) Extracted from City of Midland annual reports.

(3) Actuarial valuation was not completed as of December 31, 2012



## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The City's Special Revenue Funds are as follows:

**COMMUNITY DEVELOPMENT FUND** – to account for federal funds received through various Community Development Block Grants.

**FEDERAL POLICE SPECIAL PURPOSES FUND** – to account for funds received from forfeited property under federal jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

**STATE POLICE SPECIAL PURPOSES FUND** - to account for funds received from forfeited property under state jurisdiction. Such funds are used solely for law enforcement purposes such as salaries, training, equipment, supplies and items used by officers in direct law enforcement duties.

**H.I.D.T.A. FEDERAL SEIZURE FUND** - High Intensity Drug Trafficking Area seizure funds are received from the Drug Enforcement Administration. The funds are to be used to supplement and/or enhance law enforcement activities with priority given to supporting community policing activities, training, and law enforcement activities calculated to result in further seizures or forfeitures.

**DEPARTMENT OF JUSTICE GRANT FUND** - to account for funds received from the Department of Justice, Office of Justice programs. The purpose of the Justice Assistance Grant (JAG) program is to support a broad range of activities to prevent and control crime.

**TAX INCREMENT REINVESTMENT ZONE FUND** - to account for funds received from taxing units that levy taxes on real property in a designated reinvestment zone, a contiguous geographic area in the City of Midland, as prescribed under the provisions of Chapter 311 of the Texas Tax Code. The purpose of the fund is to enhance the value of real property in the zone through improvements.

**HOTEL-MOTEL TAX FUND** - to account for funds received from the occupancy tax collected from hotels and motels. These funds are restricted by law for use for specified purposes.

**MUNICIPAL COURT TECHNOLOGY FUND** - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of technological enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.0172.

**MUNICIPAL COURT BUILDING SECURITY FUND** - to account for funds collected from the defendant upon conviction for a misdemeanor offense in the City of Midland Municipal Court as a cost of court. These funds are restricted for the purchase of building security enhancements for the benefit of City of Midland Municipal Court by Texas Code of Criminal Procedure Article 102.017.

**STREET REPAIR IMPROVEMENT AND NEW STREET AND SIDEWALK INSTALLATION FUND** - to account for funds received from a supplemental building permit charge and a supplemental street improvement charge on specified classes of property. These funds are committed to improving, repairing or installing streets, alleys and/or sidewalks.

## CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary type funds.

The City's Capital Projects Funds are as follows:

**ANIMAL SHELTER FACILITY AND EQUIPMENT FUND** – to account for the costs of building improvements and the purchase of equipment related to the Animal Shelter Facility, financed by funds received from a supplemental animal license fee.

**1998 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of street and drainage improvements, traffic improvements, park improvements, drainage improvements, downtown Midland improvements, and City Hall renovation and land acquisition, financed by certificates of obligation proceeds.

**1999 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of park improvements, buildings and structures for public gatherings, street improvements, drainage improvements, fire stations, golf course facilities, and fire fighting equipment, financed by certificates of obligation proceeds.

**2001 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of street and drainage improvements, traffic lights and controls, public safety equipment, park improvements, Midland Community Center equipment and improvements, records storage equipment and professional services related to planning and zoning projects.

**2003 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of traffic signage and signalization, street and drainage improvements, park improvements, Midland Center Facilities improvements, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

**2005 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of public safety equipment, street paving, drainage, traffic signage and signalization improvements, park improvements, improvements to City facilities, downtown Midland improvements and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

**2007 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of street, drainage, and traffic signalization, park and recreation improvements, acquiring, equipping, improving and renovating a building for storage of municipal property and fire fighting facilities, including the acquisition of land therefore and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

**2009 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of acquiring, constructing, improving, renovating, or equipping existing City-owned buildings, parks and park facilities, constructing, paving or improving streets, drainage, traffic signage, and signalization and professional services rendered in relation to such projects financed by certificates of obligation proceeds.

**2012 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of constructing, improving, renovating, or equipping the voice and data communication system for public services, fire fighting facilities, park and recreational facilities, technology system, and streets. Acquire land and right-of way to improve and extend the City's water and sewer system financed by certificates of obligation proceeds.

**2014 GENERAL PURPOSE CERTIFICATES OF OBLIGATION FUND** – to account for the costs of acquiring and installing voice and data communication system for public services, improving, constructing and equipping firefighting facilities, park and recreational facilities, improving and equipping the City's information technology system, streets, including drainage, landscaping, curbs, gutters, sidewalks, signage and traffic signalization incidental to the acquisition of land and right-of-ways financed by certificates of obligation proceeds.



**CITY OF MIDLAND, TEXAS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

**Special Revenue**

	Community Development Fund	Federal Police Special Purposes Fund	State Police Special Purposes Fund	H.I.T.D.A. Federal Seizure Fund	Department of Justice Grant Fund	Tax Increment Zone Reinvestment Fund	Hotel Motel Tax Fund	Municipal Court Technology Fund	Municipal Court Building Security Fund	Street Repair Improvement and New Street and Sidewalk Installation Fund	Total
<b>ASSETS</b>											
Cash and cash equivalents	\$ 3	\$ 743,311	\$ 171,587	\$ 7,789	\$ 30,284	\$ 2,291,473	\$ 6,522,320	\$ 165,545	\$ 241,379	\$ 1,792,645	\$ 11,966,336
Investments	-	-	-	-	-	2,250,748	6,406,403	162,603	237,089	1,760,786	10,817,629
Receivables:											
Property taxes	-	-	-	-	-	218,619	-	-	-	-	218,619
Accounts receivable	1,009,409	-	-	-	-	-	73,424	-	-	-	1,082,833
Interest receivable	-	613	91	-	-	5,751	19,186	467	685	5,072	31,865
Intergovernmental receivable	224,387	-	-	-	-	-	-	-	-	-	224,387
Total assets	<u>\$ 1,233,799</u>	<u>\$ 743,924</u>	<u>\$ 171,678</u>	<u>\$ 7,789</u>	<u>\$ 30,284</u>	<u>\$ 4,766,591</u>	<u>\$ 13,021,333</u>	<u>\$ 328,615</u>	<u>\$ 479,153</u>	<u>\$ 3,558,503</u>	<u>\$ 24,341,669</u>
<b>LIABILITIES</b>											
Accounts payable	\$ 29,516	\$ -	\$ -	\$ -	\$ 12,548	\$ 1,130	\$ 29,776	\$ -	\$ -	\$ -	\$ 72,970
Retainage payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	77,163	-	-	-	-	-	-	-	-	-	77,163
Unearned revenue	-	-	-	-	17,732	-	-	-	-	-	17,732
Other	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>106,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,280</u>	<u>1,130</u>	<u>29,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,865</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable revenue	<u>1,009,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,009,409</u>
<b>FUND BALANCES</b>											
Restricted for:											
Public Safety	-	743,924	171,678	7,789	4	-	-	-	-	-	923,395
Court	-	-	-	-	-	-	-	328,615	479,153	-	807,768
Communications	-	-	-	-	-	-	-	-	-	-	-
Downtown	-	-	-	-	-	-	-	-	-	-	-
Buildings and renovations	-	-	-	-	-	-	1,889,959	-	-	-	1,889,959
Streets and drainage	-	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	609,361	-	-	-	609,361
Other purposes	117,711	-	-	-	-	-	10,492,237	-	-	-	10,609,948
Committed to:											
Buildings and renovations	-	-	-	-	-	-	-	-	-	-	-
Streets and drainage	-	-	-	-	-	-	-	-	-	3,558,503	3,558,503
Other purposes	-	-	-	-	-	4,765,461	-	-	-	-	4,765,461
Total fund balances	<u>117,711</u>	<u>743,924</u>	<u>171,678</u>	<u>7,789</u>	<u>4</u>	<u>4,765,461</u>	<u>12,991,557</u>	<u>328,615</u>	<u>479,153</u>	<u>3,558,503</u>	<u>23,164,395</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,233,799</u>	<u>\$ 743,924</u>	<u>\$ 171,678</u>	<u>\$ 7,789</u>	<u>\$ 30,284</u>	<u>\$ 4,766,591</u>	<u>\$ 13,021,333</u>	<u>\$ 328,615</u>	<u>\$ 479,153</u>	<u>\$ 3,558,503</u>	<u>\$ 24,341,669</u>

Capital Projects Funds											
Animal Shelter Facility and Equipment Fund	1998 General Purpose Certificates of Obligation Fund	1999 General Purpose Certificates of Obligation Fund	2001 General Purpose Certificates of Obligation Fund	2003 General Purpose Certificates of Obligation Fund	2005 General Purpose Certificates of Obligation Fund	2007 General Purpose Certificates of Obligation Fund	2009 General Purpose Certificates of Obligation Fund	2012 General Purpose Certificates of Obligation Fund	2014 General Purpose Certificates of Obligation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ 172,032	\$ -	\$ 87,905	\$ 388,585	\$ 239,347	\$ 397,054	\$ 3,167,166	\$ 6,467,569	\$ 17,830,923	\$28,750,581	\$40,716,917
-	26	-	2,214	773	4,904	4,387	107,830	1,007,335	466,613	1,594,082	12,411,711
-	-	-	-	-	-	-	-	-	-	-	218,619
-	-	-	-	-	-	-	-	1,042	-	1,042	1,083,875
-	-	-	6	2	14	13	208	1,782	188	2,213	34,078
-	-	-	-	-	-	-	-	-	-	-	224,387
<u>\$ -</u>	<u>\$ 172,058</u>	<u>\$ -</u>	<u>\$ 90,125</u>	<u>\$ 389,360</u>	<u>\$ 244,265</u>	<u>\$ 401,454</u>	<u>\$ 3,275,204</u>	<u>\$ 7,477,728</u>	<u>\$ 18,297,724</u>	<u>\$30,347,918</u>	<u>\$54,689,587</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,785	\$ 858,870	\$ 132,424	\$ 1,003,079	\$ 1,076,049
-	-	-	-	-	-	-	106,126	165,110	-	271,236	271,236
6,041	-	-	-	-	-	-	-	-	-	6,041	83,204
-	-	-	-	-	-	-	-	-	-	-	17,732
3	-	-	-	-	-	-	-	-	-	3	3
<u>6,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,911</u>	<u>1,023,980</u>	<u>132,424</u>	<u>1,280,359</u>	<u>1,448,224</u>
-	-	-	-	-	-	-	-	-	-	-	1,009,409
-	-	-	-	-	-	-	-	-	-	-	923,395
-	-	-	-	-	-	-	-	-	-	-	807,768
-	172,058	-	-	389,360	84,323	-	-	3,396,550	2,738,834	6,135,384	6,135,384
-	-	-	-	-	16,685	96,822	767,313	798,222	4,133,262	5,812,304	7,702,263
-	-	-	90,125	-	122,303	219,243	2,387,236	1,581,432	8,173,649	12,573,988	12,573,988
-	-	-	-	-	20,954	85,389	2,744	677,544	3,119,555	3,906,186	4,515,547
-	-	-	-	-	-	-	-	-	-	-	10,609,948
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	3,558,503
<u>(6,044)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,044)</u>	<u>4,759,417</u>
<u>(6,044)</u>	<u>172,058</u>	<u>-</u>	<u>90,125</u>	<u>389,360</u>	<u>244,265</u>	<u>401,454</u>	<u>3,157,293</u>	<u>6,453,748</u>	<u>18,165,300</u>	<u>29,067,559</u>	<u>52,231,954</u>
<u>\$ -</u>	<u>\$ 172,058</u>	<u>\$ -</u>	<u>\$ 90,125</u>	<u>\$ 389,360</u>	<u>\$ 244,265</u>	<u>\$ 401,454</u>	<u>\$ 3,275,204</u>	<u>\$ 7,477,728</u>	<u>\$ 18,297,724</u>	<u>\$30,347,918</u>	<u>\$54,689,587</u>

**CITY OF MIDLAND, TEXAS**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2014**

	Special Revenue										
	Community Development Fund	Federal Police Special Purposes Fund	State Police Special Purposes Fund	H.I.T.D.A. Federal Seizure Fund	Department of Justice Grant Fund	Tax Increment Reinvestment Zone Fund	Hotel Motel Tax Fund	Municipal Court Technology Fund	Municipal Court Building Security Fund	Street Repair Improvement and New Street and Sidewalk Installation Fund	Total
REVENUES											
Ad valorem tax revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,110,617	\$ -	\$ -	\$ -	\$ -	\$ 1,110,617
Hotel-Motel tax revenues	-	-	-	-	-	-	6,512,643	-	-	-	6,512,643
Street improvement charge	-	-	-	-	-	-	-	-	-	1,077,359	1,077,359
Pet licenses	-	-	-	-	-	-	-	-	-	-	-
Municipal Court technology assessment	-	-	-	-	-	-	-	68,096	-	-	68,096
Municipal Court Security Fee	-	-	-	-	-	-	-	-	50,959	-	50,959
Midland Center rentals	-	-	-	-	-	-	272,370	-	-	-	272,370
Intergovernmental grants	526,700	-	-	-	43,473	-	-	-	-	-	570,173
Investment income:											
Interest income	38,492	217	49	-	14	27,989	94,694	2,315	3,478	23,879	191,127
Net increase (decrease) in the fair value of investments	-	-	-	-	-	20,291	70,724	1,831	2,726	18,863	114,435
Program income	244,377	-	-	-	-	-	-	-	-	-	244,377
Miscellaneous	-	257,610	139,395	-	-	-	-	-	-	-	397,005
Total revenues	809,569	257,827	139,444	-	43,487	1,158,897	6,950,431	72,242	57,163	1,120,101	10,609,161
EXPENDITURES											
Administration	-	-	-	-	-	-	-	-	-	-	-
Clearance activities	7,589	-	-	-	-	-	-	-	-	-	7,589
Community involvement	71,153	-	-	-	-	-	-	-	-	-	71,153
Housing programs	663,092	-	-	-	-	-	-	-	-	-	663,092
Economic development	-	-	-	-	-	-	3,219,837	-	-	-	3,219,837
Capital outlay	-	12,509	10,373	-	-	-	864,252	-	-	130,067	1,017,201
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-
Other	-	10,675	-	-	43,535	58,278	695,264	43,941	-	-	851,693
Total expenditures	741,834	23,184	10,373	-	43,535	58,278	4,779,353	43,941	-	130,067	5,830,565
Excess (deficiency) of revenues over (under) expenditures	67,735	234,643	129,071	-	(48)	1,100,619	2,171,078	28,301	57,163	990,034	4,778,596
OTHER FINANCING SOURCES (USES)											
Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(33,000)	(21,613)	-	-	-	(54,613)
Total other financing sources (uses)	-	-	-	-	-	(33,000)	(21,613)	-	-	-	(54,613)
Net change in fund balances	67,735	234,643	129,071	-	(48)	1,067,619	2,149,465	28,301	57,163	990,034	4,723,983
Fund balances – beginning	49,976	509,281	42,607	7,789	52	3,697,842	10,842,092	300,314	421,990	2,568,469	18,440,412
Fund balances – ending	\$ 117,711	\$ 743,924	\$ 171,678	\$ 7,789	\$ 4	\$ 4,765,461	\$ 12,991,557	\$ 328,615	\$ 479,153	\$ 3,558,503	\$ 23,164,395

Capital Projects Funds											
Animal Shelter Facility and Equipment Fund	1998 General Purpose Certificates of Obligation Fund	1999 General Purpose Certificates of Obligation Fund	2001 General Purpose Certificates of Obligation Fund	2003 General Purpose Certificates of Obligation Fund	2005 General Purpose Certificates of Obligation Fund	2007 General Purpose Certificates of Obligation Fund	2009 General Purpose Certificates of Obligation Fund	2012 General Purpose Certificates of Obligation Fund	2014 General Purpose Certificates of Obligation Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,110,617
-	-	-	-	-	-	-	-	-	-	-	6,512,643
-	-	-	-	-	-	-	-	-	-	-	1,077,359
22,111	-	-	-	-	-	-	-	-	-	22,111	22,111
-	-	-	-	-	-	-	-	-	-	-	68,096
-	-	-	-	-	-	-	-	-	-	-	50,959
-	-	-	-	-	-	-	-	-	-	-	272,370
-	-	-	-	-	-	-	-	-	-	-	570,173
925	58	-	61	147	142	206	2,154	9,785	3,037	16,515	207,642
466	-	1	49	10	64	86	283	16,516	(16,924)	551	114,986
-	-	-	-	-	-	-	-	-	-	-	244,377
-	-	-	-	-	-	-	-	-	-	-	397,005
23,502	58	1	110	157	206	292	2,437	26,301	(13,887)	39,177	10,648,338
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	7,589
-	-	-	-	-	-	-	-	-	-	-	71,153
-	-	-	-	-	-	-	-	-	-	-	663,092
-	-	-	-	-	-	-	-	-	-	-	3,219,837
245,817	-	-	-	-	-	7,065	2,615,273	4,664,501	4,811,409	12,344,065	13,361,266
-	-	-	-	-	-	-	-	-	290,864	290,864	290,864
-	-	-	800	-	-	-	4,568	-	-	5,368	857,061
245,817	-	-	800	-	-	7,065	2,619,841	4,664,501	5,102,273	12,640,297	18,470,862
(222,315)	58	1	(690)	157	206	(6,773)	(2,617,404)	(4,638,200)	(5,116,160)	(12,601,120)	(7,822,524)
-	-	-	-	-	-	-	-	-	24,372,306	24,372,306	24,372,306
-	-	-	-	-	-	-	-	-	2,926,750	2,926,750	2,926,750
-	-	(2,612)	(15,921)	(65)	(8,218)	-	-	-	(4,017,596)	(4,044,412)	(4,099,025)
-	-	(2,612)	(15,921)	(65)	(8,218)	-	-	-	23,281,460	23,254,644	23,200,031
(222,315)	58	(2,611)	(16,611)	92	(8,012)	(6,773)	(2,617,404)	(4,638,200)	18,165,300	10,653,524	15,377,507
216,271	172,000	2,611	106,736	389,268	252,277	408,227	5,774,697	11,091,948	-	18,414,035	36,854,447
\$ (6,044)	\$ 172,058	\$ -	\$ 90,125	\$ 389,360	\$ 244,265	\$ 401,454	\$ 3,157,293	\$ 6,453,748	\$ 18,165,300	\$ 29,067,559	\$ 52,231,954



**CITY OF MIDLAND, TEXAS**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended September 30, 2014**  
**(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget–</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 3,977,093	\$ 3,977,093	\$ 4,088,379	\$ 111,286
Investment earnings:				
Interest income	10,000	10,000	9,954	(46)
Net increase in the fair value of investments	-	-	3,462	3,462
Total revenues	<u>3,987,093</u>	<u>3,987,093</u>	<u>4,101,795</u>	<u>114,702</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,982,155	2,607,154	2,607,154	-
Interest	1,253,112	1,238,338	1,238,337	1
Paying agent fees	1,286	631	631	-
Debt issuance costs	-	36,362	36,362	-
Total expenditures	<u>4,236,553</u>	<u>3,882,485</u>	<u>3,882,484</u>	<u>1</u>
Deficiency of revenues under expenditures	<u>(249,460)</u>	<u>104,608</u>	<u>219,311</u>	<u>114,703</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	109,612	109,612	136,428	26,816
Refunding bonds issued	-	-	3,800,000	3,800,000
Premium on refunding bonds issued	-	-	306,577	306,577
Accrued interest on debt issuance	-	-	2,177	2,177
Payment to refunded bond escrow agent	-	(4,420,000)	(4,420,000)	-
Total other financing sources	<u>109,612</u>	<u>(4,310,388)</u>	<u>(174,818)</u>	<u>4,135,570</u>
Net change in fund balances	<u>(139,848)</u>	<u>(4,205,780)</u>	<u>44,493</u>	<u>4,250,273</u>
Fund balances – beginning	<u>479,598</u>	<u>479,598</u>	<u>479,598</u>	<u>-</u>
Fund balances – ending	<u>\$ 339,750</u>	<u>\$ (3,726,182)</u>	<u>\$ 524,091</u>	<u>\$ 4,250,273</u>

## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

The City's Internal Service Funds are as follows:

**WAREHOUSE FUND** – to account for the revenues and cost of operations of a central store for the City.

**GARAGE FUND** – to account for the revenues and cost of operations of a central motor pool. Vehicles are rented to user departments at estimated cost. Additions and replacements are financed by the Garage Fund and by transfers from the General Fund and Special Revenue Funds.

**TECHNOLOGY FUND** – to account for the revenues and cost of operations of a central technology asset pool for the City. New and replacement technological assets are funded by the Technology fund, to be reimbursed by the user funds at an amortized rate over a specified asset life.

**WORKER'S COMPENSATION SELF-INSURANCE FUND** – to account for the revenues and expenses of a worker's compensation plan consisting of purchased insurance and self-insurance for claims prior to October 1, 1996. Departments of the City are charged premiums consistent with the cost of comparable insurance plans.

**MEDICAL/DENTAL SELF-INSURANCE FUND** – to account for the revenues and expenses of a group life insurance, medical insurance and dental insurance self-insurance plan for employees, dependents and retirees. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

**GENERAL LIABILITY SELF-INSURANCE FUND** – to account for the revenues and expenses of a self-insured general liability insurance fund. Departments of the City are charged premiums consistent with the cost of comparable insurance plans. Claims are provided for as incurred.

**CITY OF MIDLAND, TEXAS**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**September 30, 2014**

	<b>Warehouse Fund</b>	<b>Garage Fund</b>	<b>Technology Fund</b>	<b>Worker's Compensation Self- Insurance Fund</b>	<b>Medical/ Dental Self- Insurance Fund</b>	<b>General Liability Self- Insurance Fund</b>	<b>Total</b>
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 243,070	\$ 4,010,211	\$ 4,572,296	\$ 1,256,455	\$ 1,682,756	\$ 673,266	\$ 12,438,054
Investments	238,750	3,938,941	868,021	1,234,125	1,652,849	661,300	8,593,986
Accounts receivable	-	89,337	-	-	38,518	-	127,855
Interest receivable	671	10,621	474	3,514	3,943	1,849	21,072
Notes receivable	-	112,000	-	-	-	-	112,000
Inventories	192,559	423,593	-	-	-	-	616,152
Prepaid items and other assets	-	-	-	20,000	-	-	20,000
Total current assets	<u>675,050</u>	<u>8,584,703</u>	<u>5,440,791</u>	<u>2,514,094</u>	<u>3,378,066</u>	<u>1,336,415</u>	<u>21,929,119</u>
Noncurrent assets:							
Capital assets:							
Land	-	-	-	-	-	45,541	45,541
Buildings	23,804	1,788,120	-	-	-	5,000	1,816,924
Improvements other than buildings	500,000	346,955	-	-	-	-	846,955
Machinery and equipment	-	48,164,922	646,644	-	-	26,967	48,838,533
Intangible and Other	124,105	4,188,444	41,633	187,105	-	187,500	4,728,787
Construction in progress	-	-	-	-	-	-	-
Less accumulated depreciation	<u>(175,721)</u>	<u>(34,975,695)</u>	<u>(74,159)</u>	<u>(149,684)</u>	<u>-</u>	<u>(145,890)</u>	<u>(35,521,149)</u>
Total capital assets (net of accumulated depreciation)	<u>472,188</u>	<u>19,512,746</u>	<u>614,118</u>	<u>37,421</u>	<u>-</u>	<u>119,118</u>	<u>20,755,591</u>
Other noncurrent assets:							
Notes receivable	<u>-</u>	<u>1,003,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,003,755</u>
Total noncurrent assets	<u>472,188</u>	<u>20,516,501</u>	<u>614,118</u>	<u>37,421</u>	<u>-</u>	<u>119,118</u>	<u>21,759,346</u>
Total assets	<u>1,147,238</u>	<u>29,101,204</u>	<u>6,054,909</u>	<u>2,551,515</u>	<u>3,378,066</u>	<u>1,455,533</u>	<u>43,688,465</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	12,425	661,854	156,190	37,680	434,291	30,361	1,332,801
Accrued payroll	4,628	97,559	-	-	-	9,129	111,316
Compensated absences	8,564	62,185	-	-	-	10,521	81,270
Estimated unpaid claims	-	-	-	332,399	558,110	253,032	1,143,541
Other liabilities	-	15,222	-	-	4,404	-	19,626
Total current liabilities	<u>25,617</u>	<u>836,820</u>	<u>156,190</u>	<u>370,079</u>	<u>996,805</u>	<u>303,043</u>	<u>2,688,554</u>
Noncurrent liabilities:							
Compensated absences	7,278	37,268	-	-	-	2,468	47,014
Other postemployment benefits payable	26,655	610,728	-	8,910	10,060	68,967	725,320
Estimated unpaid claims	-	-	-	997,193	-	1,012,133	2,009,326
Total noncurrent liabilities	<u>33,933</u>	<u>647,996</u>	<u>-</u>	<u>1,006,103</u>	<u>10,060</u>	<u>1,083,568</u>	<u>2,781,660</u>
Total liabilities	<u>59,550</u>	<u>1,484,816</u>	<u>156,190</u>	<u>1,376,182</u>	<u>1,006,865</u>	<u>1,386,611</u>	<u>5,470,214</u>
<b>NET POSITION</b>							
Net investment in capital assets	472,188	19,512,746	614,118	37,421	-	119,118	20,755,591
Unrestricted	<u>615,500</u>	<u>8,103,642</u>	<u>5,284,601</u>	<u>1,137,912</u>	<u>2,371,201</u>	<u>(50,196)</u>	<u>17,462,660</u>
Total net position	<u>\$ 1,087,688</u>	<u>\$ 27,616,388</u>	<u>\$ 5,898,719</u>	<u>\$ 1,175,333</u>	<u>\$ 2,371,201</u>	<u>\$ 68,922</u>	<u>\$ 38,218,251</u>

**CITY OF MIDLAND, TEXAS**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended September 30, 2014**

	<b>Warehouse Fund</b>	<b>Garage Fund</b>	<b>Technology Fund</b>	<b>Worker's Compensation Self- Insurance Fund</b>	<b>Medical/ Dental Self- Insurance Fund</b>	<b>General Liability Self- Insurance Fund</b>	<b>Total</b>
Operating revenues:							
Billings to other funds	\$ 916,421	\$ -	\$ 619,516	\$ 883,707	\$ 9,210,520	\$ 579,600	\$ 12,209,764
Motor vehicle repair billings	-	4,010,422	-	-	-	-	4,010,422
Motor vehicle lease charges	-	5,031,892	-	-	-	-	5,031,892
Equipment lease-other	-	797,227	-	-	-	-	797,227
Charges for fuel	-	2,705,890	-	-	-	-	2,705,890
Employee payments	-	-	-	-	2,262,294	-	2,262,294
Total operating revenue	<u>916,421</u>	<u>12,545,431</u>	<u>619,516</u>	<u>883,707</u>	<u>11,472,814</u>	<u>579,600</u>	<u>27,017,489</u>
Operating expenses:							
Cost of goods sold	677,946	821,771	-	-	-	-	1,499,717
Salaries and fringe benefits	91,823	2,081,829	18,439	-	-	238,212	2,430,303
Contractual services	18,821	721,525	489,720	64,554	3,274,449	309,088	4,878,157
Maintenance of structure	-	19,111	-	-	-	933	20,044
Maintenance of equipment	-	1,875,198	9,792	-	-	-	1,884,990
Claims expense	-	-	-	922,629	5,528,349	368,386	6,819,364
Depreciation expense	50,882	4,115,844	58,412	37,421	-	39,001	4,301,560
Supplies	15	2,884,861	450,106	-	-	596	3,335,578
Other expenses	-	100,816	19,232	-	-	3,753	123,801
Total operating expenses	<u>839,487</u>	<u>12,620,955</u>	<u>1,045,701</u>	<u>1,024,604</u>	<u>8,802,798</u>	<u>959,969</u>	<u>25,293,514</u>
Operating income (loss)	<u>76,934</u>	<u>(75,524)</u>	<u>(426,185)</u>	<u>(140,897)</u>	<u>2,670,016</u>	<u>(380,369)</u>	<u>1,723,975</u>
Nonoperating revenue:							
Investment earnings:							
Interest income	3,011	108,408	1,115	18,617	12,457	9,694	153,302
Net increase in the fair value of investments	1,849	58,462	555	14,466	11,211	7,196	93,739
Gain on sale of capital assets	-	404,847	-	-	-	-	404,847
Recoveries of damages to city property, net	-	203,591	-	-	-	-	203,591
Other	-	1,134	-	-	6,327	219,056	226,517
Total nonoperating revenue	<u>4,860</u>	<u>776,442</u>	<u>1,670</u>	<u>33,083</u>	<u>29,995</u>	<u>235,946</u>	<u>1,081,996</u>
Income (loss) before transfers	<u>81,794</u>	<u>700,918</u>	<u>(424,515)</u>	<u>(107,814)</u>	<u>2,700,011</u>	<u>(144,423)</u>	<u>2,805,971</u>
Contributions	-	1,106,388	-	-	-	-	1,106,388
Transfers in	-	-	4,017,596	-	-	-	4,017,596
Transfers out	(26,034)	(550,586)	-	-	-	-	(576,620)
Change in net position	<u>55,760</u>	<u>1,256,720</u>	<u>3,593,081</u>	<u>(107,814)</u>	<u>2,700,011</u>	<u>(144,423)</u>	<u>7,353,335</u>
Net position – beginning	<u>1,031,928</u>	<u>\$ 26,359,668</u>	<u>\$ 2,305,638</u>	<u>\$ 1,283,147</u>	<u>\$ (328,810)</u>	<u>\$ 213,345</u>	<u>\$ 30,864,916</u>
Net position – ending	<u>\$ 1,087,688</u>	<u>\$ 27,616,388</u>	<u>\$ 5,898,719</u>	<u>\$ 1,175,333</u>	<u>\$ 2,371,201</u>	<u>\$ 68,922</u>	<u>\$ 38,218,251</u>

**CITY OF MIDLAND, TEXAS**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended September 30, 2014**

	<b>Warehouse Fund</b>	<b>Garage Fund</b>	<b>Technology Fund</b>	<b>Worker's Compensation Self- Insurance Fund</b>	<b>Medical/ Dental Self- Insurance Fund</b>	<b>General Liability Self- Insurance Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers and users	\$ -	\$ 133,224	\$ -	\$ -	\$ 2,263,580	\$ -	\$ 2,396,804
Interfund services provided	916,421	12,545,431	619,516	883,707	9,210,520	798,656	24,974,251
Payments to suppliers	(724,024)	(6,298,869)	(948,651)	(826,969)	(8,906,775)	(608,939)	(18,314,227)
Payments to employees	(88,448)	(2,021,278)	(22,603)	-	-	(230,218)	(2,362,547)
Net cash provided (used) by operating activities	<u>103,949</u>	<u>4,358,508</u>	<u>(351,738)</u>	<u>56,738</u>	<u>2,567,325</u>	<u>(40,501)</u>	<u>6,694,281</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in from other funds	-	-	4,017,596	-	-	-	4,017,596
Transfers out to other funds	(26,034)	(550,586)	-	-	-	-	(576,620)
Net cash provided (used) by noncapital financing activities	<u>(26,034)</u>	<u>(550,586)</u>	<u>4,017,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,440,976</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Purchases of capital assets	-	(5,404,887)	(157,736)	-	-	-	(5,562,623)
Repayment of loans to other funds	-	107,892	-	-	-	-	107,892
Proceeds from sale of capital assets	-	411,732	-	-	-	-	411,732
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(4,885,263)</u>	<u>(157,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,042,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchases of investments	(56,779)	-	(592,809)	(120,731)	(1,318,992)	(31,274)	(2,120,585)
Proceeds from sales and maturities of investments	23,573	705,281	35,651	144,231	43,249	81,615	1,033,600
Interest received	4,624	167,020	1,196	32,666	20,291	16,710	242,507
Net cash provided (used) by investing activities	<u>(28,582)</u>	<u>872,301</u>	<u>(555,962)</u>	<u>56,166</u>	<u>(1,255,452)</u>	<u>67,051</u>	<u>(844,478)</u>
Net increase (decrease) in cash and cash equivalents	49,333	(205,040)	2,952,160	112,904	1,311,873	26,550	4,247,780
Cash and cash equivalents at beginning of year	193,737	4,215,251	1,620,136	1,143,551	370,883	646,716	8,190,274
Cash and cash equivalents at end of year	<u>\$ 243,070</u>	<u>\$ 4,010,211</u>	<u>\$ 4,572,296</u>	<u>\$ 1,256,455</u>	<u>\$ 1,682,756</u>	<u>\$ 673,266</u>	<u>\$ 12,438,054</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss):	\$ 76,934	\$ (75,524)	\$ (426,185)	\$ (140,897)	\$ 2,670,016	\$ (380,369)	\$ 1,723,975
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	50,882	4,115,844	58,412	37,421	-	39,001	4,301,560
Other income	-	204,725	-	-	6,327	219,056	430,108
Increase in accounts receivable	-	(71,501)	-	-	(5,041)	-	(76,542)
Increase in inventory	(2,480)	(31,240)	-	-	-	-	(33,720)
Increase (decrease) in accounts payable	(24,762)	140,431	20,199	12,152	5,071	23,318	176,409
Increase (decrease) in accrued payroll	747	20,420	(4,164)	-	-	579	17,582
Increase (decrease) in estimated unpaid claims	-	-	-	148,062	(111,372)	50,499	87,189
Increase (decrease) in compensated absences	699	(5,276)	-	-	-	2,156	(2,421)
Increase in other postemployment benefits	1,929	45,407	-	-	-	5,259	52,595
Increase in other liabilities	-	15,222	-	-	2,324	-	17,546
Total adjustments	<u>27,015</u>	<u>4,434,032</u>	<u>74,447</u>	<u>197,635</u>	<u>(102,691)</u>	<u>339,868</u>	<u>4,970,306</u>
Net cash provided (used) by operating activities	<u>\$ 103,949</u>	<u>\$ 4,358,508</u>	<u>\$ (351,738)</u>	<u>\$ 56,738</u>	<u>\$ 2,567,325</u>	<u>\$ (40,501)</u>	<u>\$ 6,694,281</u>
<b>Noncash Investing, Capital and Financing Activities:</b>							
Change in fair value of investments	\$ 1,849	\$ 58,462	\$ 555	\$ 14,466	\$ 11,211	\$ 7,196	\$ 93,739
Contributions of capital assets	-	1,106,388	-	-	-	-	1,106,388

## STATISTICAL SECTION

(Unaudited)

This part of the City of Midland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health.

<b><u>CONTENTS</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>121</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>126</b>
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	<b>134</b>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>139</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	<b>141</b>
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the service the City provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.



Table 1

**CITY OF MIDLAND, TEXAS**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net Investment in capital assets	\$ 41,993,822	\$ 47,625,042	\$ 53,378,805	\$ 62,688,027	\$ 70,220,858	\$ 74,338,808	\$ 77,139,942	\$ 79,950,737	\$ 95,068,376	\$ 108,776,537
Restricted	118,651	255,331	34,810	156,130	20,367	326,991	6,518,425	9,227,239	12,754,115	15,059,213
Unrestricted	36,840,714	45,834,804	52,877,175	57,985,984	52,799,760	45,035,305	45,315,926	53,230,626	51,770,695	63,586,639
Total governmental activities net position	<u>\$ 78,953,187</u>	<u>\$ 93,715,177</u>	<u>\$ 106,290,790</u>	<u>\$ 120,830,141</u>	<u>\$ 123,040,985</u>	<u>\$ 119,701,104</u>	<u>\$ 128,974,293</u>	<u>\$ 142,408,602</u>	<u>\$ 159,593,186</u>	<u>\$ 187,422,389</u>
Business-type activities										
Net Investment in capital assets	\$ 130,705,342	\$ 138,474,174	\$ 146,453,011	\$ 149,714,918	\$ 166,637,943	\$ 169,294,026	\$ 178,169,630	\$ 189,427,031	\$ 216,897,238	\$ 220,763,273
Restricted	8,195,706	8,195,706	7,826,071	7,826,071	7,826,071	7,826,071	11,615,537	12,228,596	3,560,568	9,026,221
Unrestricted	48,130,545	52,601,112	60,855,833	75,370,522	75,294,643	81,828,896	82,368,737	84,149,910	76,236,521	83,584,394
Total business-type activities net position	<u>\$ 187,031,593</u>	<u>\$ 199,270,992</u>	<u>\$ 215,134,915</u>	<u>\$ 232,911,511</u>	<u>\$ 249,758,657</u>	<u>\$ 258,948,993</u>	<u>\$ 272,153,904</u>	<u>\$ 285,805,537</u>	<u>\$ 296,694,327</u>	<u>\$ 313,373,888</u>
Primary government										
Net Investment in capital assets	\$ 172,699,164	\$ 186,099,216	\$ 199,831,816	\$ 212,402,945	\$ 236,858,801	\$ 243,632,834	\$ 255,309,572	\$ 269,377,768	\$ 311,965,614	\$ 329,539,810
Restricted	8,314,357	8,451,037	7,860,881	7,982,201	7,846,438	8,153,062	18,133,962	21,455,835	16,314,683	24,085,434
Unrestricted	84,971,259	98,435,916	113,733,008	133,356,506	128,094,403	126,864,201	127,684,663	137,380,536	128,007,216	147,171,033
Total primary government net position	<u>\$ 265,984,780</u>	<u>\$ 292,986,169</u>	<u>\$ 321,425,705</u>	<u>\$ 353,741,652</u>	<u>\$ 372,799,642</u>	<u>\$ 378,650,097</u>	<u>\$ 401,128,197</u>	<u>\$ 428,214,139</u>	<u>\$ 456,287,513</u>	<u>\$ 500,796,277</u>

(Unaudited-See Accompanying Independent Auditors' Report)



Table 2

**CITY OF MIDLAND, TEXAS**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 10,614,765	\$ 11,120,377	\$ 15,915,793	\$ 16,426,985	\$ 18,834,377	\$ 18,971,123	\$ 20,939,401	\$ 20,515,015	\$ 22,645,060	\$ 24,703,911
Development services	8,730,237	9,200,295	11,318,654	11,221,695	13,479,488	14,369,010	13,837,291	3,534,375	3,833,749	4,049,615
Engineering	-	-	-	-	-	-	-	10,642,676	12,321,739	14,099,842
Community services	6,791,555	7,228,250	7,963,767	9,200,826	9,739,208	10,084,652	10,137,221	9,933,581	11,396,863	10,958,751
Police	15,422,161	16,296,584	17,502,258	18,937,778	21,965,119	23,156,588	23,312,992	24,025,334	25,827,854	25,341,332
Fire	13,098,191	13,475,104	15,131,600	16,391,606	19,342,454	20,137,685	20,863,640	22,289,161	24,515,017	24,163,432
Other	4,083,732	4,376,474	-	-	-	-	-	-	-	-
Interest on long-term debt	991,790	995,050	1,071,259	1,085,505	1,152,879	1,103,073	1,028,942	1,221,970	1,271,789	1,955,205
Total governmental activities expenses	<u>59,732,431</u>	<u>62,692,134</u>	<u>68,903,331</u>	<u>73,264,395</u>	<u>84,513,525</u>	<u>87,822,131</u>	<u>90,119,487</u>	<u>92,162,112</u>	<u>101,812,071</u>	<u>105,272,088</u>
Business-type activities:										
Airport	7,008,505	6,912,437	7,541,223	8,047,073	8,690,847	9,201,993	9,295,323	8,835,469	9,367,054	9,592,317
Water and sewer	28,883,107	29,984,197	31,282,624	34,615,012	32,828,147	33,642,297	37,130,696	37,401,624	44,838,072	61,678,752
Sanitation	5,071,081	6,988,197	7,299,073	9,115,773	10,129,743	8,450,443	10,489,726	10,813,252	11,310,111	10,453,364
Sports complex	4,616,902	3,603,742	4,319,956	4,276,725	4,404,185	4,337,123	4,382,696	4,242,836	4,364,030	4,664,912
Golf course	1,163,787	1,448,110	1,502,814	1,478,505	1,903,417	1,923,190	1,910,254	2,056,066	2,204,091	2,287,526
Total business-type activities expenses	<u>46,743,382</u>	<u>48,936,683</u>	<u>51,945,690</u>	<u>57,533,088</u>	<u>57,956,339</u>	<u>57,555,046</u>	<u>63,208,695</u>	<u>63,349,247</u>	<u>72,083,358</u>	<u>88,676,871</u>
Total primary government expenses	<u>\$ 106,475,813</u>	<u>\$ 111,628,817</u>	<u>\$ 120,849,021</u>	<u>\$ 130,797,483</u>	<u>\$ 142,469,864</u>	<u>\$ 145,377,177</u>	<u>\$ 153,328,182</u>	<u>\$ 155,511,359</u>	<u>\$ 173,895,429</u>	<u>\$ 193,948,959</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 815,161	\$ 736,932	\$ 781,719	\$ 527,757	\$ 447,368	\$ 596,304	\$ 536,478	\$ 620,524	\$ 872,807	\$ 626,796
Development services	1,120,819	1,263,840	1,492,539	1,378,365	948,114	818,445	1,781,309	1,998,231	3,940,368	3,867,182
Engineering	-	-	-	-	-	-	-	1,963	42,250	66,191
Community services	919,699	1,090,698	1,075,048	1,001,491	929,448	923,658	875,790	898,904	833,761	1,225,240
Police	2,816,797	2,641,553	3,045,172	3,741,616	4,035,131	2,393,857	4,105,681	4,272,412	4,278,076	4,348,819
Fire	929,250	1,179,917	1,329,561	1,974,577	1,775,129	1,838,814	1,767,777	2,034,214	2,001,975	1,832,028
Operating grants and contributions	1,279,426	2,782,305	1,619,363	1,504,100	2,134,574	2,551,762	1,689,509	1,455,109	2,163,187	1,710,722
Capital grants and contributions	2,200,278	3,036,995	4,408,946	7,295,001	4,661,290	2,996,562	4,603,959	3,725,173	8,532,232	10,066,200
Total governmental activities program revenues	<u>10,081,430</u>	<u>12,732,240</u>	<u>13,752,348</u>	<u>17,422,907</u>	<u>14,931,054</u>	<u>12,119,402</u>	<u>15,360,503</u>	<u>15,006,530</u>	<u>22,664,656</u>	<u>23,743,178</u>
Business-type activities:										
Charges for services:										
Airport	6,923,314	7,456,268	8,139,157	8,663,825	7,549,954	7,572,534	8,017,966	8,816,871	9,239,236	12,533,868
Water and sewer	30,841,175	34,648,349	37,812,622	44,267,408	41,138,165	40,370,745	44,728,124	41,236,729	41,945,697	54,261,913
Sanitation	6,320,995	6,598,321	7,465,121	7,906,457	8,504,251	8,982,565	10,679,562	11,636,597	13,965,037	15,234,536
Sports complex	4,624,481	5,646,149	6,505,378	7,278,806	6,565,148	6,541,457	8,360,882	9,781,813	10,572,117	12,050,902
Golf course	1,102,694	1,248,394	1,364,233	1,491,119	1,905,706	1,822,464	2,061,100	2,348,194	2,549,063	2,326,692
Operating grants and contributions	509,106	470,160	441,440	362,610	353,931	454,463	353,020	382,984	62,557	2,238
Capital grants and contributions	9,208,150	6,381,973	6,447,085	3,640,719	10,518,716	3,643,920	5,383,946	6,324,973	7,950,501	13,022,019
Total business-type activities program revenues	<u>59,529,915</u>	<u>62,449,614</u>	<u>68,175,036</u>	<u>73,610,944</u>	<u>76,535,871</u>	<u>69,388,148</u>	<u>79,584,600</u>	<u>80,528,161</u>	<u>86,284,208</u>	<u>109,432,168</u>
Total primary government program revenues	<u>\$ 69,611,345</u>	<u>\$ 75,181,854</u>	<u>\$ 81,927,384</u>	<u>\$ 91,033,851</u>	<u>\$ 91,466,925</u>	<u>\$ 81,507,550</u>	<u>\$ 94,945,103</u>	<u>\$ 95,534,691</u>	<u>\$ 108,948,864</u>	<u>\$ 133,175,346</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (49,651,001)	\$ (49,959,894)	\$ (55,150,983)	\$ (55,841,488)	\$ (69,582,471)	\$ (75,702,729)	\$ (74,758,984)	\$ (77,155,582)	\$ (79,147,415)	\$ (81,528,910)
Business-type Activities	12,786,533	13,512,931	16,229,346	16,077,856	18,579,532	11,833,102	16,375,905	17,178,914	14,200,850	20,755,297
Total primary government net expense	<u>\$ (36,864,468)</u>	<u>\$ (36,446,963)</u>	<u>\$ (38,921,637)</u>	<u>\$ (39,763,632)</u>	<u>\$ (51,002,939)</u>	<u>\$ (63,869,627)</u>	<u>\$ (58,383,079)</u>	<u>\$ (59,976,668)</u>	<u>\$ (64,946,565)</u>	<u>\$ (60,773,613)</u>

**General Revenues and Other Changes in Net Position**

## Governmental activities:

Taxes										
Property taxes	\$ 24,012,478	\$ 25,661,748	\$ 26,419,543	\$ 28,207,188	\$ 29,537,787	\$ 30,381,016	\$ 32,697,674	\$ 34,238,579	\$ 36,441,787	\$ 39,005,229
Sales taxes	16,113,027	19,584,476	22,536,098	25,776,037	23,848,005	23,563,357	30,281,637	35,472,615	39,046,477	44,776,484
Gross receipts taxes	8,942,639	11,841,005	9,905,964	11,082,067	10,507,602	10,640,157	11,232,925	11,210,488	11,427,175	12,732,502
Hotel-motel taxes	1,238,269	1,461,956	1,959,523	2,459,814	2,657,283	2,165,861	3,085,061	4,606,037	5,768,762	6,512,643
Other taxes	257,005	292,034	345,348	403,169	441,148	415,279	486,648	493,405	570,975	770,432
Unrestricted investment earnings	894,436	1,994,197	2,951,752	1,894,550	1,339,474	1,113,797	782,769	431,732	(1,087,789)	1,558,324
Gain on sale of capital assets	-	219,186	-	-	-	-	-	-	-	-
Miscellaneous	70,499	11,620	25,941	40,819	93,921	45,720	1,077,093	22,017	85,365	137,184
Transfers	3,568,564	3,655,662	3,582,427	517,195	3,368,095	4,037,661	4,388,366	4,115,018	4,079,247	4,183,738
Total governmental activities	<u>55,096,917</u>	<u>64,721,884</u>	<u>67,726,596</u>	<u>70,380,839</u>	<u>71,793,315</u>	<u>72,362,848</u>	<u>84,032,173</u>	<u>90,589,891</u>	<u>96,331,999</u>	<u>109,676,536</u>

## Business-type activities:

Investment earnings	1,179,655	2,382,130	3,217,004	2,215,935	1,635,709	1,394,895	1,217,372	587,737	767,187	845,612
Transfers	<u>(3,568,564)</u>	<u>(3,655,662)</u>	<u>(3,582,427)</u>	<u>(517,195)</u>	<u>(3,368,095)</u>	<u>(4,037,661)</u>	<u>(4,388,366)</u>	<u>(4,115,018)</u>	<u>(4,079,247)</u>	<u>(4,183,738)</u>
Total business-type activities	<u>(2,388,909)</u>	<u>(1,273,532)</u>	<u>(365,423)</u>	<u>1,698,740</u>	<u>(1,732,386)</u>	<u>(2,642,766)</u>	<u>(3,170,994)</u>	<u>(3,527,281)</u>	<u>(3,312,060)</u>	<u>(3,338,126)</u>
Total primary government	<u>\$ 52,708,008</u>	<u>\$ 63,448,352</u>	<u>\$ 67,361,173</u>	<u>\$ 72,079,579</u>	<u>\$ 70,060,929</u>	<u>\$ 69,720,082</u>	<u>\$ 80,861,179</u>	<u>\$ 87,062,610</u>	<u>\$ 93,019,939</u>	<u>\$ 106,338,410</u>

**Changes in Net Position**

Governmental Activities	\$ 5,445,916	\$ 14,761,990	\$ 12,575,613	\$ 14,539,351	\$ 2,210,844	\$ (3,339,881)	\$ 9,273,189	\$ 13,434,309	\$ 17,184,584	\$ 28,147,626
Business-type Activities	<u>10,397,624</u>	<u>12,239,399</u>	<u>15,863,923</u>	<u>17,776,596</u>	<u>16,847,146</u>	<u>9,190,336</u>	<u>13,204,911</u>	<u>13,651,633</u>	<u>10,888,790</u>	<u>17,417,171</u>
Total primary government	<u>\$ 15,843,540</u>	<u>\$ 27,001,389</u>	<u>\$ 28,439,536</u>	<u>\$ 32,315,947</u>	<u>\$ 19,057,990</u>	<u>\$ 5,850,455</u>	<u>\$ 22,478,100</u>	<u>\$ 27,085,942</u>	<u>\$ 28,073,374</u>	<u>\$ 45,564,797</u>

(Unaudited-See Accompanying Independent Auditors' Report)

Table 3

**CITY OF MIDLAND, TEXAS**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 878,796	\$ 881,945	\$ 919,406	\$ 878,494
Reserved	2,327,253	3,143,510	5,060,354	5,601,854	12,232,616	8,966,970	-	-	-	-
Unreserved	17,542,860	25,409,316	29,812,023	32,460,043	27,502,467	29,106,932	-	-	-	-
Restricted	-	-	-	-	-	-	195,668	210,897	209,747	218,782
Committed	-	-	-	-	-	-	7,728,867	8,486,918	13,353,699	29,431,800
Assigned	-	-	-	-	-	-	67,166	73,228	79,102	80,863
Unassigned	-	-	-	-	-	-	39,704,700	49,024,532	44,298,549	39,031,865
Total general fund	<u>\$ 19,870,113</u>	<u>\$ 28,552,826</u>	<u>\$ 34,872,377</u>	<u>\$ 38,061,897</u>	<u>\$ 39,735,083</u>	<u>\$ 38,073,902</u>	<u>\$ 48,575,197</u>	<u>\$ 58,677,520</u>	<u>\$ 58,860,503</u>	<u>\$ 69,641,804</u>
All Other Governmental Funds										
Reserved	\$ 3,630,166	\$ 3,877,898	\$ 7,590,172	\$ 3,176,012	\$ 4,392,945	\$ 6,888,698	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	2,113,539	1,245,470	2,420,879	3,929,760	4,394,896	5,952,978	-	-	-	-
Capital projects funds	7,272,992	2,367,582	3,493,158	2,319,159	6,937,027	4,756,115	-	-	-	-
Restricted for:										
Debt service	-	-	-	-	-	-	448,006	413,744	479,598	524,091
Public safety	-	-	-	-	-	-	596,708	809,604	567,944	923,395
Court	-	-	-	-	-	-	596,849	685,740	722,304	807,768
Communications	-	-	-	-	-	-	-	3,590,536	3,508,930	6,135,384
Downtown	-	-	-	-	-	-	644,144	644,886	645,499	645,741
Building renovations	-	-	-	-	-	-	1,771,388	7,823,627	7,181,818	7,702,263
Streets and drainage	-	-	-	-	-	-	6,083,529	8,376,344	7,547,145	12,573,988
Parks and recreation	-	-	-	-	-	-	525,786	2,359,965	1,430,161	4,515,547
Other capital projects	-	-	-	-	-	-	42,166	-	-	-
Other purposes	-	-	-	-	-	-	4,774,287	5,433,282	8,768,064	10,609,948
Committed to:										
Building renovations	-	-	-	-	-	-	269,883	245,817	216,271	(6,044)
Streets and drainage	-	-	-	-	-	-	1,015,334	1,482,584	2,568,469	3,558,503
Other purposes	-	-	-	-	-	-	2,129,687	3,077,538	3,697,842	4,765,461
Total all other governmental funds	<u>\$ 13,016,697</u>	<u>\$ 7,490,950</u>	<u>\$ 13,504,209</u>	<u>\$ 9,424,931</u>	<u>\$ 15,724,868</u>	<u>\$ 17,597,791</u>	<u>\$ 18,897,767</u>	<u>\$ 34,943,667</u>	<u>\$ 37,334,045</u>	<u>\$ 52,756,045</u>

(Unaudited-See Accompanying Independent Auditors' Report)

Table 4

**CITY OF MIDLAND, TEXAS**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Revenues</b>										
Taxes	\$ 50,511,124	\$ 58,902,891	\$ 61,060,586	\$ 68,058,393	\$ 67,107,946	\$ 67,077,164	\$ 77,835,427	\$ 86,090,547	\$ 93,263,535	\$ 103,713,258
Licenses and permits	1,020,416	1,170,553	1,349,074	1,461,320	1,124,144	1,187,504	1,991,056	2,419,466	4,276,854	4,190,869
Fines and forfeitures	2,283,272	2,425,291	2,667,017	3,166,584	3,134,799	3,276,328	3,648,203	3,808,669	3,891,789	3,783,005
Charges for services	1,943,476	2,093,062	2,239,596	2,289,241	2,553,851	2,356,353	2,311,691	2,685,136	2,564,362	2,640,062
Rentals	201,274	220,312	214,059	220,283	198,555	211,115	203,293	212,962	302,765	286,614
Assessments	99,270	121,816	109,589	120,613	115,544	116,859	117,117	121,572	133,202	119,055
Intergovernmental	1,927,026	3,357,245	2,061,721	1,934,972	4,537,251	4,061,605	2,833,751	2,575,756	2,043,366	1,430,101
Investment earnings	828,198	1,699,793	2,513,712	1,631,545	1,109,384	974,529	792,232	460,308	(1,054,054)	1,663,401
Contributions and donations	234,304	865,966	259,596	205,805	612,493	161,187	1,264,310	277,895	625,989	676,064
Miscellaneous	515,864	450,332	633,704	473,926	674,347	725,415	1,782,060	629,871	764,362	971,567
Total revenues	<u>59,564,224</u>	<u>71,307,261</u>	<u>73,108,654</u>	<u>79,562,682</u>	<u>81,168,314</u>	<u>80,148,059</u>	<u>92,779,140</u>	<u>99,282,182</u>	<u>106,812,170</u>	<u>119,473,996</u>
<b>Expenditures</b>										
General government	10,705,471	11,222,344	12,170,359	12,213,221	14,083,339	14,314,539	14,797,484	15,370,449	19,451,475	17,694,864
Development services	7,115,914	8,017,698	8,295,919	9,410,143	11,692,087	11,090,190	10,639,275	2,484,995	2,618,009	3,350,847
Engineering								7,700,839	15,188,449	13,905,183
Community services	6,591,145	7,211,703	7,246,431	8,595,533	9,037,633	9,783,237	9,591,163	10,597,142	10,018,185	10,261,957
Police	15,692,926	16,361,191	17,505,378	19,210,537	20,668,423	21,044,525	21,393,542	22,766,719	24,538,644	25,416,580
Fire	13,627,472	13,668,119	15,348,015	16,466,900	18,337,470	18,203,854	18,782,600	20,918,880	22,905,985	24,516,468
Other	4,367,939	4,638,911	4,515,769	4,936,332	5,446,695	5,517,045	4,486,670	5,004,512	6,404,129	8,294,720
Capital outlay	1,765,279	7,717,921	2,965,213	6,336,797	5,806,226	433,004	1,810,455	1,153,962	3,602,650	13,361,266
Debt services:										
Principal	2,227,787	2,484,724	2,691,551	2,808,488	2,274,389	2,530,065	2,812,808	2,891,115	2,818,125	2,607,154
Interest	886,932	1,074,354	876,390	1,282,233	887,869	1,325,357	1,040,860	954,843	1,600,143	1,238,337
Debt issuance costs	93,138	-	83,852	-	153,789	-	-	157,813	-	327,226
Refunding bond issuance costs and escrow	-	-	-	-	207,720	-	-	-	-	-
Paying agents' fees	3,070	3,081	3,081	3,143	2,481	1,051	1,051	1,051	1,293	631
Total expenditures	<u>63,077,073</u>	<u>72,400,046</u>	<u>71,701,958</u>	<u>81,263,327</u>	<u>88,598,121</u>	<u>84,242,867</u>	<u>85,355,908</u>	<u>90,002,320</u>	<u>109,147,087</u>	<u>120,975,233</u>
Excess of revenues over (under) expenditures	(3,512,849)	(1,092,785)	1,406,696	(1,700,645)	(7,429,807)	(4,094,808)	7,423,232	9,279,862	(2,334,917)	(1,501,237)
<b>Other Financing Sources (Uses)</b>									350,000	-
Sale of capital assets	-	323,475	168,000	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	7,708,926	-	-	-	-	3,800,000
Issuance of long-term debt	4,950,000	-	6,910,000	-	9,850,132	-	-	13,589,132	-	24,372,306
Payment to refunded bond escrow agent	-	-	-	-	(7,638,159)	-	-	-	-	(4,420,000)
Premium on debt issuance	45,950	-	181,709	-	281,634	-	-	770,560	-	3,233,327
Accrued interest on debt issuance	21,989	-	32,093	-	47,160	-	-	499	-	2,177
Transfers in	4,046,110	4,343,644	4,377,586	4,423,913	6,111,466	4,778,476	5,055,682	5,042,997	5,150,925	5,406,690
Transfers out	(209,438)	(417,368)	(743,274)	(3,613,026)	(958,229)	(471,926)	(677,643)	(2,534,827)	(592,647)	(4,689,962)
Total other financing sources (uses)	<u>8,854,611</u>	<u>4,249,751</u>	<u>10,926,114</u>	<u>810,887</u>	<u>15,402,930</u>	<u>4,306,550</u>	<u>4,378,039</u>	<u>16,868,361</u>	<u>4,908,278</u>	<u>27,704,538</u>
Net change in fund balances	<u>\$ 5,341,762</u>	<u>\$ 3,156,966</u>	<u>\$ 12,332,810</u>	<u>\$ (889,758)</u>	<u>\$ 7,973,123</u>	<u>\$ 211,742</u>	<u>\$ 11,801,271</u>	<u>\$ 26,148,223</u>	<u>\$ 2,573,361</u>	<u>\$ 26,203,301</u>
Debt service as a percentage of noncapital expenditures	5.2%	5.7%	5.3%	5.6%	4.0%	4.8%	4.8%	4.5%	4.0%	3.8%

**Note:** Noncapital expenditures excludes capital expenditures reported in the various functional categories of current expenditures presented above.

(Unaudited-See Accompanying Independent Auditors' Report)

Table 5

**CITY OF MIDLAND, TEXAS**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Ad Valorem Tax</b>	<b>City Sales Tax</b>	<b>Gross Receipts Tax</b>	<b>Mixed Beverage Tax</b>	<b>Hotel Motel Tax</b>	<b>Miscellaneous</b>	<b>Totals</b>
2005	\$ 23,960,184	\$ 16,113,027	\$ 8,942,639	\$ 199,725	\$ 1,238,269	\$ 57,280	\$ 50,511,124
2006	25,723,420	19,584,476	11,841,005	232,892	1,461,956	59,142	58,902,891
2007	26,313,653	22,536,098	9,905,964	267,407	1,959,523	77,941	61,060,586
2008	28,337,306	25,776,037	11,082,067	319,331	2,459,814	83,838	68,058,393
2009	29,653,908	23,848,005	10,507,602	355,131	2,657,283	86,017	67,107,946
2010	30,292,510	23,563,357	10,640,157	334,730	2,165,861	80,549	67,077,164
2011	32,749,156	30,281,637	11,232,925	392,121	3,085,061	94,527	77,835,427
2012	34,308,002	35,472,615	11,210,488	383,897	4,606,037	109,508	86,090,547
2013	36,450,146	39,046,477	11,427,175	439,907	5,768,762	131,068	93,263,535
2014	38,921,197	44,776,484	12,732,502	639,530	6,512,643	130,902	103,713,258
Change 2005-2014	62.4%	177.9%	42.4%	220.2%	425.9%	128.5%	105.3%

(Unaudited-See Accompanying Independent Auditors' Report)

Table 6

**CITY OF MIDLAND, TEXAS**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

<b>Fiscal Year Ended September 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Minerals Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2005	\$ 3,449,861	\$ 580,053	\$ 15,953	\$ 344,824	\$ 3,701,043	\$ 0.6424
2006	3,656,062	610,948	24,999	344,419	3,947,590	0.6420
2007	4,111,423	682,286	37,335	403,036	4,428,008	0.5870
2008	5,176,698	739,893	38,426	776,942	5,178,075	0.5386
2009	6,141,934	792,798	45,844	971,455	6,009,121	0.4859
2010	6,543,503	808,358	36,343	874,523	6,513,681	0.4568
2011	6,657,433	750,432	51,731	702,824	6,756,772	0.4729
2012	6,844,436	806,228	47,912	603,653	7,094,923	0.4705
2013	7,329,781	931,865	60,452	600,770	7,721,328	0.4611
2014	8,358,847	1,075,642	67,736	664,669	8,837,556	0.4319

**Source:** Midland Central Appraisal District

**Note:** Property in the city is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Table 7

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

Year	City Direct Rates			Overlapping Rates <sup>a</sup>			
	Basic Rate	General Obligation Debt Service	Total Direct	Midland Independent School District	Midland Junior College	Midland County	Midland County Hospital District
2005	\$ 0.5604	\$ 0.0820	\$ 0.6424	\$ 1.6425	\$ 0.1906	\$ 0.2939	\$ 0.1715
2006	0.5545	0.0875	0.6420	1.6275	0.2247	0.2885	0.1684
2007	0.5102	0.0768	0.5870	1.4575	0.2062	0.2488	0.1571
2008	0.4633	0.0753	0.5386	1.1681	0.1911	0.2305	0.1423
2009	0.4352	0.0507	0.4859	1.1651	0.1729	0.2075	0.1202
2010	0.3975	0.0593	0.4568	1.1526	0.1719	0.2118	0.1813
2011	0.4172	0.0557	0.4729	1.1451	0.1699	0.2118	0.1663
2012	0.4185	0.0521	0.4705	1.1411	0.1679	0.1982	0.1622
2013	0.4040	0.0570	0.4611	1.1301	0.1332	0.1402	0.1251
2014	0.3857	0.0462	0.4319	1.1401	0.1244	0.1265	0.1183

**Source:** Midland Central Appraisal District

**Note:** Rates for debt service are set based on each year's requirements.

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Midland.

Table 8

**CITY OF MIDLAND, TEXAS**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Fiscal Year 2014			Fiscal Year 2005		
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Propetro Services	159,565,810	1.56%	Oncor Electric Delivery Co	41,075,710	1.11%
Basic Energy Service	55,430,090	0.54%	Southwestern Bell Telephone	37,651,710	1.02%
Oncor Electric	48,635,240	0.47%	Midland Park Mall LP	24,589,570	0.66%
Wind Energy Transmission TX	45,549,980	0.44%	Claydesta Buildings LP	15,255,940	0.41%
Linn Operating Inc.	37,540,000	0.37%	John L Cox	14,408,290	0.39%
Mall at Midland Park LLC	37,127,480	0.36%	Midland FC Ltd	11,565,270	0.31%
Claydesta Buildings LP	36,753,810	0.36%	Camco Division of STC	10,767,120	0.29%
Fasken Midland LLC	28,608,000	0.28%	Energas Company	9,496,500	0.26%
Artificial Lift Div of STC M&E	27,312,550	0.27%	A T & T Communications	9,431,140	0.25%
EOG Resources Inc.	27,005,150	0.26%	Wal-Mart Stores	9,388,000	0.25%
Total	<u>\$ 503,528,110</u>	<u>4.91%</u>	Total	<u>\$ 183,629,250</u>	<u>4.96%</u>

**Source:** Midland Central Appraisal District



Table 9

**CITY OF MIDLAND, TEXAS**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Adjustments to the Levy	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 23,775,520	\$ (47,326)	\$ 23,728,194	\$ 23,288,426	98.15%	414,294.23	\$ 23,702,721	99.89%
2006	25,343,526	(46,988)	25,296,538	24,907,178	98.46%	369,140.18	25,276,318	99.92%
2007	25,992,405	(138,456)	25,853,949	25,457,058	98.46%	375,455.59	25,832,514	99.92%
2008	27,889,113	(218,049)	27,671,064	27,287,802	98.61%	361,347.28	27,649,149	99.92%
2009	29,198,318	(107,660)	29,090,658	28,644,131	98.47%	423,878.97	29,068,010	99.92%
2010	29,754,496	(74,755)	29,679,742	29,260,114	98.59%	382,884.29	29,642,998	99.88%
2011	31,949,398	(40,281)	31,909,117	31,522,686	98.79%	337,446.80	31,860,133	99.85%
2012	33,384,453	46,694	33,431,146	33,021,270	98.77%	310,403.85	33,331,674	99.70%
2013	35,601,095	26,840	35,627,934	35,221,625	98.86%	298,021.76	35,519,647	99.70%
2014	38,171,791	(17,352)	38,154,439	37,649,507	98.68%	-	37,649,507	98.68%

**Source:** Midland Central Appraisal District

Table 10

**CITY OF MIDLAND, TEXAS**  
**Taxable Sales by Category**  
**Last Ten Calendar Years**  
**(in thousands of dollars)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Agriculture, Forestry, Fishing, Hunting	\$ 4	\$ 61	\$ 42	\$ 6	\$ 9	\$ 2	\$ 1	\$ 3	\$ 2	\$ 2
Mining	120,800	116,080	139,760	157,197	183,665	131,288	259,423	468,320	538,191	449,326
Utilities	3,589	1,280	1,357	1,701	4,128	1,614	1,109	12	215	484
Construction	34,640	41,189	48,495	60,430	65,047	54,739	69,073	90,610	127,203	150,347
Manufacturing	41,970	39,072	43,380	49,102	54,214	46,183	53,011	71,407	80,801	94,079
Wholesale Trade	69,311	99,366	120,684	195,254	403,058	163,054	240,314	327,609	324,387	379,125
Retail Trade	777,440	906,881	966,680	999,585	1,043,751	984,145	1,060,820	1,249,127	1,332,609	1,440,110
Transportation, Warehousing	1,326	1,413	3,157	4,394	5,158	5,645	10,210	17,847	30,790	29,116
Information	37,696	41,354	43,985	42,621	43,895	41,168	43,214	49,424	53,460	59,935
Finance, Insurance	2,456	2,461	3,142	3,848	5,265	8,570	3,843	3,978	4,248	4,184
Real Estate, Rental, Leasing	20,631	17,134	22,071	31,128	46,016	28,232	37,188	64,100	82,602	92,640
Professional, Scientific, Technical Svc	38,157	48,672	64,733	78,849	69,681	41,756	73,569	86,885	130,234	107,340
Management of Companies, Enterprises	6,146	6,114	4,586	-	-	-	-	1	-	-
Admin, Support, Waste Mgmt, Remed	47,333	35,324	33,316	34,491	37,813	38,487	37,205	41,560	48,334	58,667
Educational Services	469	429	448	592	537	637	646	601	201	565
Health Care, Social Assistance	704	748	995	1,037	1,957	2,075	2,220	2,875	3,575	3,931
Arts, Entertainment, Recreation	12,936	13,038	13,653	21,648	25,214	23,935	24,042	26,962	33,916	37,669
Accommodation, Food Services	141,467	156,470	177,495	191,076	213,062	207,058	222,912	257,748	294,036	314,494
Other Services	31,505	36,107	41,859	45,827	49,190	43,962	48,100	59,119	73,895	73,294
Public Administration	1,177	1,289	2,916	6,409	1,467	1,593	1,846	1,976	2,146	2,268
Other	599	327	3	-	-	10,522	-	-	-	3
<b>Total</b>	<b>\$ 1,390,356</b>	<b>\$ 1,564,809</b>	<b>\$ 1,732,757</b>	<b>\$ 1,925,195</b>	<b>\$ 2,253,127</b>	<b>\$ 1,834,665</b>	<b>\$ 2,188,746</b>	<b>\$ 2,820,164</b>	<b>\$ 3,160,845</b>	<b>\$ 3,297,579</b>
City direct sales tax rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**Source:** Texas Comptroller of Public Accounts

**Note:** Category changes occurred in 2002 due to National American Industry Classification System revisions.

Table 11

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Midland County</b>	<b>Midland Football/Soccer and Baseball Complex Development Corporation</b>	<b>Midland Development Corporation</b>
2005	1.00%	0.50%	0.25%	0.25%
2006	1.00%	0.50%	0.25%	0.25%
2007	1.00%	0.50%	0.25%	0.25%
2008	1.00%	0.50%	0.25%	0.25%
2009	1.00%	0.50%	0.25%	0.25%
2010	1.00%	0.50%	0.25%	0.25%
2011	1.00%	0.50%	0.25%	0.25%
2012	1.00%	0.50%	0.25%	0.25%
2013	1.00%	0.50%	0.25%	0.25%
2014	1.00%	0.50%	0.25%	0.25%

(Unaudited-See Accompanying Independent Auditors' Report)

Table 12

**CITY OF MIDLAND, TEXAS**  
**Sales Tax Revenue Payers by Industry**  
**Current Calendar Year and Nine Years Ago**  
**(in thousands of dollars)**

	2013				2004			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Agriculture, Forestry, Fishing, Hunting	13	0.25 %	\$ 2	0.00 %	8	0.18 %	\$ 4	0.00 %
Mining	293	5.73	449,326	13.63	133	3.05	120,800	8.69
Utilities	10	0.20	484	0.01	9	0.21	3,589	0.26
Construction	419	8.20	150,347	4.56	287	6.58	34,641	2.49
Manufacturing	278	5.44	94,079	2.85	146	3.35	41,970	3.02
Wholesale Trade	297	5.81	379,125	11.50	234	5.37	69,312	4.99
Retail Trade	1,639	32.08	1,440,110	43.67	1,718	39.39	777,633	55.93
Transportation, Warehousing	65	1.27	29,116	0.88	33	0.76	1,326	0.10
Information	69	1.35	59,935	1.82	87	1.99	37,696	2.71
Finance, Insurance	45	0.88	4,184	0.13	44	1.01	2,456	0.18
Real Estate, Rental, Leasing	204	3.99	92,640	2.81	87	1.99	20,632	1.48
Professional, Scientific, Technical Svc	371	7.26	107,340	3.26	300	6.88	38,158	2.74
Management of Companies, Enterprises	7	0.14	-	-	9	0.21	6,146	0.44
Admin, Support, Waste Mgmt, Remed	263	5.15	58,667	1.78	316	7.25	47,338	3.40
Educational Services	59	1.15	565	0.02	42	0.96	469	0.03
Health Care, Social Assistance	41	0.80	3,931	0.12	28	0.64	704	0.05
Arts, Entertainment, Recreation	114	2.23	37,669	1.14	36	0.83	12,936	0.93
Accommodation, Food Services	447	8.75	314,494	9.54	331	7.59	141,475	10.18
Other Services	443	8.67	73,294	2.22	401	9.20	31,518	2.27
Public Administration	4	0.08	2,268	0.07	4	0.09	1,177	0.08
Nonclassifiable	-	-	-	-	-	-	-	-
Other	28	0.55	3	0.00	108	2.48	393	0.03
Total	5,109	100.00 %	\$ 3,297,579	100.00 %	4,361	100.00 %	\$ 1,390,373	100.00 %

**Source:** Texas Comptroller of Public Accounts

**Notes:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

(Unaudited-See Accompanying Independent Auditors' Report)

Table 13

**CITY OF MIDLAND, TEXAS**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Revenue Bonds	General Obligation Refunding Bonds	Certificates of Obligation	Other Obligations			
2005	\$ 2,770,000	\$ 21,873,237	\$ 790,000	\$ 27,455,000	\$ -	\$ 51,206,763	\$ 51,950	\$ 104,146,950	2.18%	\$ 832
2006	1,860,000	20,358,513	730,000	25,575,000	42,130,000	5,786,487	47,650	96,487,650	1.73%	760
2007	935,000	25,566,962	665,000	18,810,000	40,220,000	58,043,038	43,900	144,283,900	2.25%	1,107
2008	-	23,763,474	595,000	17,385,000	38,240,000	56,751,526	39,850	136,774,850	2.01%	1,025
2009	7,609,852	23,875,000	525,000	15,895,000	36,635,148	54,110,000	35,400	138,685,400	1.50%	1,012
2010	6,189,787	22,840,000	450,000	14,325,000	34,410,213	51,930,000	-	130,145,000	1.74%	923
2011	4,731,979	21,565,000	370,000	12,685,000	31,288,021	48,695,000	-	119,335,000	1.37%	842
2012	3,245,864	33,835,000	285,000	10,955,000	28,049,136	63,115,000	-	139,485,000	1.24%	962
2013	2,127,739	32,225,000	195,000	-	24,682,261	61,350,000	-	120,580,000	0.96%	795
2014	4,960,585	50,634,483	100,000	-	21,154,415	61,020,517	-	137,870,000	1.02%	879

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table 18 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Table 14

**CITY OF MIDLAND, TEXAS**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding			Resources Restricted for Repayment of Outstanding Debt Principal	Net General Bonded Debt	Percentage of Actual Taxable Value <sup>a</sup> of Property	Net General Bonded Debt Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Total				
2005	\$ 2,770,000	\$ 21,873,237	\$ 24,643,237	\$ 302,273	\$ 24,340,964	0.66%	\$ 251
2006	1,860,000	20,358,513	22,218,513	336,219	\$ 21,882,294	0.55%	243
2007	935,000	25,566,962	26,501,962	328,541	\$ 26,173,421	0.59%	291
2008	-	23,763,474	23,763,474	245,073	\$ 23,518,401	0.45%	231
2009	7,609,852	23,875,000	31,484,852	328,948	\$ 31,155,904	0.52%	350
2010	6,189,787	22,840,000	29,029,787	419,353	\$ 28,610,434	0.44%	232
2011	4,731,979	21,565,000	26,296,979	448,006	\$ 25,848,973	0.38%	234
2012	3,245,864	33,835,000	37,080,864	413,744	\$ 36,667,120	0.52%	401
2013	2,127,739	32,225,000	34,352,739	479,598	\$ 33,873,141	0.44%	364
2014	4,960,585	50,634,483	55,595,068	524,091	\$ 55,070,977	0.62%	539

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table 6 for property value data.

<sup>b</sup> See Table 18 for per capita data.

Table 15

**CITY OF MIDLAND, TEXAS**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2014**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Midland Independent School District	\$ 264,117,777	52.82%	\$ 139,507,010
Midland Junior College	30,576,549	50.40%	15,410,581
Midland County	19,055,000	48.24%	9,192,132
Midland County Hospital District	106,195,000	47.41%	50,347,050
Subtotal, overlapping debt			214,456,772
<b>City of Midland (direct debt)</b>			<u>59,405,880</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 273,862,652</u></u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Midland Central Appraisal District and Assessment Debt outstanding data provided by each governmental unit.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Midland. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>a</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Table 16

**CITY OF MIDLAND, TEXAS**  
**Debt Margin Information**  
**Last Ten Fiscal Years**  
(dollars in thousands)

**Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 8,837,556
Debt limit (8% of assessed value)	707,004
Debt applicable to limit:	
Total bonded debt	137,870
Less:	
Net assets in Debt Service Fund	(524)
Water and Sewer bonds	(1,459)
Airport bonds	(907)
Sports Complex bonds	(1,301)
Golf Course bonds	(82)
Total net debt applicable to limit	<u>133,597</u>
Debt margin	<u>\$ 573,407</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit	\$ 296,083	\$ 315,807	\$ 354,241	\$ 414,246	\$ 480,730	\$ 521,094	\$ 540,542	\$ 567,594	\$ 617,706	\$ 707,004
Total net debt applicable to limit	<u>97,655</u>	<u>89,167</u>	<u>135,646</u>	<u>129,604</u>	<u>131,476</u>	<u>122,737</u>	<u>111,659</u>	<u>131,479</u>	<u>116,534</u>	<u>133,597</u>
Debt margin	<u>\$ 198,428</u>	<u>\$ 226,640</u>	<u>\$ 218,595</u>	<u>\$ 284,642</u>	<u>\$ 349,254</u>	<u>\$ 398,357</u>	<u>\$ 428,883</u>	<u>\$ 436,115</u>	<u>\$ 501,172</u>	<u>\$ 573,407</u>
Total net debt applicable to the limit as a percentage of debt limit	32.98%	28.23%	38.29%	31.29%	27.35%	23.55%	20.66%	23.16%	18.87%	18.90%

**Note:** The Constitution and Statutes of the state of Texas and the Charter of the City of Midland do not provide for a legal debt limit. The 8% debt limit rate used herein is that recommended by the Finance Advisory Board of the City of Midland and adopted by the City Council as a guideline of safe debt limit.

Included in the total amount of debt applicable to debt limit is \$58,070,000 Tax and Limited Pledge Revenue Certificates of Obligation and \$1,145,000 Combination Tax and Revenue Refunding Bonds; and \$3,140,000 Tax and Airport Subordinate Lien Revenue Certificates of Obligation; and \$1,874,932 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation; and \$17,495,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation. Principal and interest on these certificates are being financed by the Water and Sewer Fund, Airport Fund, and the Golf Course Fund, and the Scharbauer Sports Complex Fund, respectively.



Table 17

**CITY OF MIDLAND, TEXAS**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Revenue Bonds					Airport Revenue Bonds				
	Gross Revenue <sup>a</sup>	Operating Expense <sup>b</sup>	Net Revenue Available for Debt Service	Revenue Bond Debt Service <sup>c</sup>	Coverage	Gross Revenue <sup>a</sup>	Operating Expense <sup>b</sup>	Net Revenue Available For Debt Service	Revenue Bond Debt Service <sup>c</sup>	Coverage
2005	\$ 31,721,170	\$ 25,872,779	\$ 5,848,391	\$ 2,939,791	1.99	\$ 7,136,960	\$ 4,380,702	\$ 2,756,258	\$ 167,963	16.41
2006	36,551,272	26,941,508	9,609,764	2,898,879	3.31	7,711,547	4,701,521	3,010,026	160,913	18.71
2007	38,843,893	26,519,562	12,324,331	2,273,232	5.42	8,435,823	4,891,659	3,544,164	151,149	23.45
2008	44,358,068	29,955,214	14,402,854	2,204,304	6.53	8,933,959	5,269,760	3,664,200	-	-
2009	42,384,339	29,737,767	12,646,572	2,134,553	5.92	7,799,712	5,678,225	2,121,487	-	-
2010	41,059,387	29,904,315	11,155,072	2,140,761	5.21	7,928,367	6,081,691	1,846,676	-	-
2011	45,273,768	32,305,890	12,967,878	2,121,268	6.11	8,237,826	5,725,677	2,512,149	-	-
2012	41,572,651	30,434,690	11,137,961	2,064,539	5.39	9,076,228	5,493,295	3,582,933	-	-
2013 <sup>d</sup>	45,643,890	37,058,319	8,585,571	-	-	9,321,595	5,859,056	3,462,539	-	-
2014 <sup>d</sup>	54,687,506	39,497,509	15,189,997	-	-	12,608,260	6,017,131	6,591,129	-	-

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> The sum of operating revenue and net nonoperating income, excluding interest expense, reduced by interest income from investments by funds restricted for construction.

<sup>b</sup> Total expense exclusive of depreciation, interest, and amortization expenses.

<sup>c</sup> Excludes debt defeasance transactions.

<sup>d</sup> City's Water and Sewer Revenue Bonds debt - retired 2013

Table 18

**CITY OF MIDLAND, TEXAS**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2004	97,837	\$ 4,576,167	\$ 38,408	34.3	20,917	4.5%
2005	101,033	5,186,213	43,044	34.1	20,622	3.7%
2006	102,073	6,067,570	49,174	34.1	20,601	3.4%
2007	104,156	6,588,769	52,258	34.2	20,293	3.2%
2008	106,499	7,706,973	59,670	34.2	21,310	2.9%
2009	108,896	7,166,734	54,164	34.2	20,565	5.5%
2010	111,147	7,699,660	56,212	33.1	20,504	5.3%
2011	113,846	9,144,318	65,173	33.4	22,130	4.4%
2012	119,385	12,595,330	83,049	33.6	22,017	3.5%
2013	121,999	13,573,085	86,574	33.1	23,299	2.6%

**Sources:** Population estimates are prepared by City of Midland personnel. US Census population is used in census years. Personal income and per capita personal income provided by Bureau of Economic Analysis. Median age provided by Midland Development Corporation. School enrollment provided by Midland Independent School District. Unemployment data provided by Bureau of Labor Statistics.

Table 19

**CITY OF MIDLAND, TEXAS**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<b>2014</b>			<b>2005</b>		
<b><u>Employer</u></b>	<b><u>Employees</u></b>	<b><u>Percentage of Total City Employment</u></b>	<b><u>Employer</u></b>	<b><u>Employees</u></b>	<b><u>Percentage of Total City Employment</u></b>
Midland Independent School District	3,022	3.10%	Midland Independent School District	3,587	5.60%
Midland Memorial Hospital	1,851	1.90%	Key Energy Services, Inc.	2,200	3.44%
Dawson Geophysical	1,052	1.08%	Basic Energy Services	1,500	2.34%
City of Midland	914	0.94%	Warren Equipment Companies	1,493	2.33%
Wal-mart Super Center	880	0.90%	Midland Memorial Hospital and Medical Center	1,382	2.16%
Midland College	734	0.75%	Key Energy Pressure Pumping Services	1,200	1.87%
Warren-Cat	647	0.62%	Midland College	1,200	1.87%
Concho Resources	603	0.66%	Cingular Wireless	1,100	1.72%
Midland County	568	0.58%	City of Midland	897	1.40%
Baker & Hughes	567	0.58%	Oxy Permian USA, Inc	800	1.25%
Total	<u>10,838</u>	<u>11.13%</u>		<u>15,359</u>	<u>23.98%</u>

**Source:** Midland Chamber of Commerce, Bureau of Labor Statistics, individual employers

Table 20

**CITY OF MIDLAND, TEXAS**  
**Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Administration	6	6	5	5	6	5	5	8	9	9
Support services	93	98	118	120	123	120	122	114	113	119
Fiscal management	15	15	15	15	17	17	18	17	16	15
Development services	83	88	96	93	105	96	92	89	31	36
Engineering	-	-	-	-	-	-	-	-	58	59
Community services	60	62	66	65	72	68	65	70	72	65
Police	205	206	206	208	222	220	223	225	226	214
Fire	187	187	190	193	191	191	184	181	178	198
Other	27	27	1	2	1	1	1	-	1	-
Airport	24	26	26	25	30	29	27	26	29	30
Water and sewer	100	96	100	96	104	93	88	86	84	80
Sanitation	47	45	46	48	51	46	48	51	51	47
Sports complex	-	-	-	-	-	-	-	-	-	-
Golf course	9	10	9	8	10	10	8	9	9	10
Total	856	866	878	878	932	896	881	876	877	882

**Source:** City departments

Table 21

**CITY OF MIDLAND, TEXAS**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Development services										
Street resurfacing (miles)	N/A	10.43	6.96	10.51	13.03	-	16.51	-	10.57	2.10
Potholes repaired	N/A	14,544	15,835	12,755	17,414	39,622	8,495	19,794	8,939	31,538
Community services										
Animal control animals handled	10,857	10,690	11,229	10,906	10,711	8,472	6,706	7,087	6,823	6,966
Health department immunizations given	15,015	15,275	19,757	22,372	25,452	22,251	22,989	16,521	13,183	16,815
Police										
Traffic citations	13,721	14,945	13,774	18,354	18,318	17,076	16,364	17,795	20,332	16,924
Parking citations	5,844	6,131	4,277	5,173	4,468	4,111	4,539	3,508	898	2,893
Criminal misdemeanor citations	6,651	6,687	6,624	6,583	5,713	5,198	5,054	4,993	4,587	4,629
Fire										
Emergency responses	6,262	7,238	7,484	8,860	8,873	10,829	12,674	10,175	14,103	15,234
Fires extinguished	587	606	537	600	661	543	818	458	531	501
Inspections	5,329	3,895	4,502	6,117	5,843	6,647	5,246	5,168	7,175	7,446
Airport										
Major airlines	3	3	3	4	3	3	4	4	4	4
Passengers boardings	440,723	466,419	489,369	496,911	433,738	426,288	463,874	365,991	499,170	529,357
Commercial Landings	8,020	8,290	8,580	8,277	7,691	7,936	7,765	5,988	9,026	9,654
Water and sewer										
New accounts - net	673	1,188	1,056	916	249	260	523	320	632	960
Water main breaks	53	42	84	41	54	61	79	81	74	81
Average daily consumption (MGD)	22.200	23.747	20.867	24.516	24.308	22.821	23.531	15.532	15.717	12.765
Peak daily consumption (MGD)	41.593	43.360	33.971	42.349	42.347	40.041	35.374	27.116	23.198	20.441
Average daily sewage treatment (MGD)	11.975	10.950	12.025	11.665	11.663	10.005	10.553	10.123	9.241	9.162
Sanitation										
Refuse collected (tons)	148,677	149,514	171,795	188,450	210,373	180,422	200,711	195,663	223,796	252,248
Recyclables collected (tons)	5,101	4,448	4,774	5,020	1,787	2,016	1,547	1,506	1,315	1,383
Sports complex										
Baseball stadium attendance <sup>a</sup>	11,396	30,462	31,366	332,497	325,064	329,688	322,272	331,195	343,615	362,999
Football/soccer stadium attendance	152,273	181,043	179,677	162,354	172,977	167,086	197,665	123,475	105,600	132,064
Golf course										
Attendance	50,281	54,572	59,933	64,451	62,940	57,104	60,236	63,205	68,291	56,636
Tournaments	120	125	150	118	89	90	90	82	88	71

**Source:** City departments

**Notes:** N/A - Data not available

<sup>a</sup> Beginning fiscal year 2008, attendance for baseball games, concerts, and outdoor events are included in the count for baseball stadium attendance.

(Unaudited-See Accompanying Independent Auditors' Report)

Table 22

**CITY OF MIDLAND, TEXAS**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Development services										
Streets - paved (miles)	561	574	566	571	584	736	741	597	596	607
Streets - unpaved (miles)	21	16	14	12	12	29	28	33	14	19
Alleys - paved (miles)	103	103	109	123	125	133	133	128	136	139
Streetlights	5,763	5,523	5,667	6,020	6,005	6,050	6,096	6,209	6,272	6,321
Signalized locations	118	117	117	116	116	117	118	118	118	118
Community services										
Parks acreage	1,256	1,256	1,256	1,256	1,256	1,275	1,275	1,275	1,342	1,342
Playgrounds	38	38	40	40	40	39	39	39	39	39
Baseball/softball diamonds	82	82	82	64	64	64	64	64	64	64
Football/soccer fields	56	56	56	52	52	49	49	49	49	49
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	2	2	2	2	2	2	2	2	2	2
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Marked patrol units	N/A	116	130	128	114	110	138	138	160	151
Fire										
Stations	9	9	9	9	9	9	9	9	9	9
Airport										
Primary runway (feet)	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501	9,501
Primary crosswind runway (feet)	8,305	8,305	8,305	8,302	8,302	8,302	8,302	8,302	8,302	8,302
General aviation runways (feet)	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944	8,944
Water and sewer										
Water mains (miles)	735	805	818	838	861	668	771	782	714	823
Fire hydrants	2,926	2,998	3,121	3,202	3,301	3,297	3,425	3,418	3,412	3,678
System capacity (million gallons)	51	51	51	51	51	51	51	51	55	55
Sanitary sewers (miles)	529	572	577	591	600	527	585	591	555	625
Storm sewers (miles)	54	54	46	47	47	43	43	44	44	46
Sanitation										
Refuse trucks	N/A	38	43	42	42	43	46	37	38	43
Sports complex										
Stadiums	2	2	2	2	2	2	2	2	2	2
Golf course										
Courses	2	2	2	2	2	2	2	2	2	2
Holes	36	36	36	36	36	36	36	36	36	36

**Source:** City departments

**Notes:** N/A - Data not available



## **SUPPLEMENTAL SECTION**

(Unaudited)

The supplemental section contains certain bond and financial information presented in compliance with Securities and Exchange Commission Rule 15c2-12, as amended.



**TAX SUPPORTED DEBT**

(Unaudited)

# City of Midland, Texas

**Table 1 - Valuation, Exemptions and General Obligation Debt**

2014 Market Valuation Established By Midland Central Appraisal District (excluding totally exempt property)		\$ 10,610,137,380
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 302,603,316	
Disabled Veterans	4,385,690	
Abatements	0	
Open-Space and Land Use Restrictions and Tax Increment Value	<u>59,292,908</u>	<u>366,281,914</u>
2014 Taxable Assessed Valuation		\$ 10,243,855,466
City Funded Debt Payable From Ad Valorem Taxes (as of 9-30-14)		
General Obligation Bonds and Certificates of Obligation (1)	\$ <u>137,770,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 137,770,000
Less: Self Supporting Debt (2)		
Scharbauer Sports Complex General Obligation Debt	\$ 17,945,000	
Water and Sewer General Obligation Debt	59,215,000	
Airport General Obligation Debt	<u>3,140,000</u>	<u>80,300,000</u>
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 57,470,000
Interest and Sinking Fund (as of 9-30-14) (3)		\$ 606,137
Ratio Funded Debt to Taxable Assessed Valuation		1.34%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0.56%
2015 Estimated Population .....	133,274	
Per Capita 2015 Taxable Assessed Valuation .....	\$ 76,863.12	
Per Capita Total Funded Debt .....	\$ 1,033.74	
Per Capita General Purpose Funded Debt .....	\$ 431.22	

(1) The above statement of indebtedness includes no Waterworks and Sewer System Revenue Bonds as final payment on the last outstanding revenue bond was made on March 1, 2013. The statement also does not include any Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1999 as all outstanding bonds were redeemed on April 3, 2013.

(2) The City provides for debt service on general obligation debt issued to fund a Football /Soccer and Baseball Sports Complex and Airport improvements from surplus (net) revenues of these systems. Included in the net revenues of the Scharbauer Sports Complex are receipts from a 1/4 of 1% sales tax received from the Midland Football/Soccer and Baseball Complex Development Corporation.

"Scharbauer Sports Complex General Obligation Debt" consists of \$17,945,000 General Obligation Refunding Bonds, Series 2006B

"Water and Sewer General Obligation Debt" consists of \$43,075,000 Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007 and \$1,145,000 Tax and Revenue Refunding Bonds, Series 2007 and \$14,995,000 Tax and Limited Pledge Revenue Certificates of 2012 Certificates of Obligation.

"Airport General Obligation Debt" consists of \$3,140,000 General Obligation Refunding Bonds, Series 2006A.

(3) Excludes \$1,301,352 to the credit of the Interest and Sinking Fund for Scharbauer Sports complex General Obligation Debt, \$1,458,765 to the credit of the Water and Sewer General Obligation Debt, and \$907,163 to the credit of the Interest and Sinking Fund for Airport General Obligation Debt.

# City of Midland, Texas

## Table 2 - Taxable Assessed Valuations by Category

Taxable Appraised Value for Fiscal Year Ended 9-30						
Category	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 6,566,069,700	59.36%	\$ 5,707,614,570	60.07%	\$ 5,115,928,260	61.47%
Real, Residential, Multi-Family	605,596,170	5.48%	543,209,910	5.72%	438,623,740	5.27%
Real, Vacant Lots/Tracts	252,255,175	2.28%	226,359,700	2.38%	186,972,900	2.25%
Real, Acreage (Land Only)	131,933,230	1.19%	133,623,230	1.41%	99,080,780	1.19%
Real, Farm and Ranch Improvements	36,573,560	0.33%	32,233,230	0.34%	30,133,660	0.36%
Real, Commercial and Industrial	1,912,483,020	17.29%	1,699,367,430	17.88%	1,444,017,790	17.35%
Real, Oil, Gas and Other Mineral Reserves	86,534,550	0.78%	67,736,295	0.71%	60,451,810	0.73%
Real and Tangible Personal, Utilities	174,194,090	1.57%	121,906,180	1.28%	112,239,820	1.35%
Tangible Personal, Commercial and Industrial	1,233,577,870	11.15%	914,654,730	9.63%	788,023,400	9.47%
Tangible Personal, Other	7,246,580	0.07%	3,977,540	0.04%	3,736,860	0.04%
Real Property, Inventory (1)	54,478,610	0.49%	51,542,520	0.54%	42,888,950	0.52%
Total Appraised Value Before Exemptions	\$ 11,060,942,555	100.00%	\$ 9,502,225,335	100.00%	\$ 8,322,097,970	100.00%
Less: Total Exemptions/Reductions	817,087,089		664,669,273		600,769,922	
Taxable Assessed Value	\$ <u>10,243,855,466</u>		\$ <u>8,837,556,062</u>		\$ <u>7,721,328,048</u>	

Taxable Appraised Value for Fiscal Year Ended 9-30						
Category	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 4,767,285,960	61.92%	\$ 4,642,728,300	62.24%	\$ 4,561,016,060	65.40%
Real, Residential, Multi-Family	419,574,040	5.45%	403,415,390	5.41%	332,676,180	4.77%
Real, Vacant Lots/Tracts	176,793,950	2.30%	174,263,370	2.34%	78,126,970	1.12%
Real, Acreage (Land Only)	90,204,850	1.17%	92,264,270	1.24%	61,657,000	0.88%
Real, Farm and Ranch Improvements	28,971,370	0.38%	28,437,740	0.38%	27,260,670	0.39%
Real, Commercial and Industrial	1,345,917,590	17.48%	1,297,470,220	17.39%	1,056,487,960	15.15%
Real, Oil, Gas and Other Mineral Reserves	47,912,550	0.62%	51,730,530	0.69%	36,159,410	0.52%
Real and Tangible Personal, Utilities	107,330,570	1.39%	107,921,810	1.45%	115,114,640	1.65%
Tangible Personal, Commercial and Industrial	673,917,980	8.75%	624,187,260	8.37%	662,557,080	9.50%
Tangible Personal, Other	3,451,290	0.04%	3,079,110	0.04%	2,749,280	0.04%
Real Property, Inventory (1)	37,485,910	0.49%	34,098,010	0.46%	39,857,780	0.57%
Total Appraised Value Before Exemptions	\$ 7,698,846,060	100.00%	\$ 7,459,596,010	100.00%	\$ 6,973,663,030	100.00%
Less: Total Exemptions/Reductions	603,922,660		702,823,690		455,105,278	
Taxable Assessed Value	\$ <u>7,094,923,400</u>		\$ <u>6,756,772,320</u>		\$ <u>6,518,557,752</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Midland Central Appraisal District to the State Controller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Real inventory properties in the hands of developers or builders; each group of properties in this category is appraised on the basis of its value as a whole as a sale to another developer or builder.

## City of Midland, Texas

**Table 3A - Valuation and General Obligation Debt History**

Fiscal Year Ended 9-30	Estimated City Population (1)	Taxable Assessed Valuation (2)	Taxable Assessed Valuation Per Capita	General Purpose Funded Tax Debt Outstanding at End of Year (3)	Ratio General Purpose Funded Tax Debt to Taxable Assessed Valuation	General Purpose Funded Tax Debt Per Capita
2010	111,252	6,518,557,752	58,593	29,400,000	0.45%	264
2011	113,903	6,756,772,320	59,320	26,580,000	0.39%	233
2012	119,665	7,094,923,400	59,290	37,275,000	0.53%	311
2013	123,933	7,721,328,048	62,302	34,480,000	0.45%	278
2014	128,519	8,837,556,062	68,765	57,470,000	0.65%	447
2015 (4)	133,274	10,243,855,466	76,863	54,670,000	0.53%	410

(1) Source: City of Midland, Texas; the U.S. Census Bureau 2010 through 2013; estimated 2014 and 2015.

(2) Basis of assessment for all years 100% of market value. All taxable property is revalued each year.

(3) General Purpose Funded Tax Debt less Self-Supporting Funded Tax Debt (see "Table 3B - Derivation of General Purpose Funded Tax Debt").

(4) Projected

**Table 3B - Derivation of General Purpose Funded Tax Debt**

Fiscal Year Ending 9-30	Total Funded Tax Debt Outstanding At End of Year	Less: Self-Supporting Funded Tax Debt				General Purpose Funded Tax Debt
		Airport General Obligation Debt	Water and Sewer General Obligation Debt	Scharbauer Sports Complex General Obligation Debt		
2010	115,370,000	8,575,000	50,075,000	27,320,000		29,400,000
2011	106,280,000	7,310,000	48,695,000	23,695,000		26,580,000
2012	128,245,000	5,990,000	63,115,000	21,865,000		37,275,000
2013	120,385,000	4,600,000	61,350,000	19,955,000		34,480,000
2014	137,770,000	3,140,000	59,215,000	17,945,000		57,470,000
2015 (1)	129,095,000	1,605,000	56,985,000	15,835,000		54,670,000

(1) Projected

**Table 4 - Tax Rate, Levy and Collection History**

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	0.456800	0.3975	0.0593	29,754,496	95.49%	98.26%
2011	0.472850	0.41719	0.05566	31,949,398	95.92%	98.86%
2012	0.470540	0.41845	0.05209	33,384,453	96.31%	98.70%
2013	0.461090	0.40405	0.05704	35,602,271	96.24%	98.55%
2014	0.431927	0.38572	0.04621	38,171,791	96.85%	98.02%
2015	0.393891	0.33748	0.05641	40,349,624	N/A	N/A

## City of Midland, Texas

**Table 5 - Ten Largest Taxpayers**

Name of Taxpayer	Nature of Property	2014 Taxable Assessed Valuation	% of 2014 Total Taxable Assessed Valuation
Propetro Services	Oil and Gas Service Co	\$ 159,565,810	1.56%
Basic Energy Service	Oil and Gas Service Co	55,430,090	0.54%
Oncor Electric	Electric Utility	48,635,240	0.47%
Wind Energy Transmission Tx 31	Electric Utility	45,549,980	0.44%
Linn Operating Inc	Oil and Gas	37,540,000	0.37%
Mall at Midland Park LLC	Real Estate	37,127,480	0.36%
Claydesta Buildings LP	Real Estate	36,753,810	0.36%
Fasken Midland LLC	Oil and Gas	28,608,000	0.28%
Artificial Lift Div of STC M&E	Oil and Gas Service Co.	27,312,550	0.27%
EOG Resources Inc	Oil and Gas	27,005,150	0.26%
		<u>\$ 503,528,110</u>	<u>4.92%</u>

**Table 6 - Tax Adequacy**

Maximum Principal and Interest Requirements, All General Obligation Debt.....	\$ 15,160,963
\$.15417 Tax Rate at 96% Collection Produces.....	\$ 15,161,234
Maximum Principal and Interest Requirements General Purpose General Obligation Debt, 2015.....	\$ 5,772,237
\$.0587 Tax Rate at 96% Collection Produces.....	\$ 5,772,617

**Table 7 - Estimated Overlapping Debt**

Taxing Jurisdiction	Taxable Assessed Valuation As Of 9-30-14 (1)	Tax Rate (1)	Total Funded Debt As Of 9-30-14	Estimated % Applicable to City (1)	City's Overlapping Funded Debt As Of 9-30-14	Authorized But Unissued Debt As Of 9-30-14
City of Midland	\$ 10,243,855,466	\$ 0.393891	\$ 57,470,000 (6)	100.00%	\$ 57,470,000	\$ 0
Midland Independent School District	19,394,174,961	1.140050	264,117,777 (2)	51.88%	137,024,303	0
Midland Community College District	20,323,913,898	0.124390	30,576,549 (5)	51.89%	15,866,171	0
Midland County	21,235,583,812	0.126523	19,055,000 (3)	48.55%	9,251,203	0
Midland County Hospital District	21,605,033,458	0.118300	106,195,000 (4)	48.56%	51,568,292	0
Total Direct and Overlapping G.O. Debt					<u>\$ 271,179,968</u>	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					2.65%	
Per Capita Overlapping G.O. Debt					\$ 2,110.04	

**Sources:**

- (1) Midland Central Appraisal District
- (2) Midland Independent School District
- (3) Midland County
- (4) Midland County Hospital District
- (5) Midland Community College District
- (6) General Purpose Funded Debt; excludes self-supporting funded debt

# City of Midland, Texas

**Table 8A - General Obligation Debt Service Requirements and  
Table 8b - Division of Debt Service Requirements**

Fiscal Year Ending 9 - 30	Outstanding Requirements			% of Principal Retired	Less: Airport General Obligation Debt	Less: Sports Complex Development Corporation General Obligation Debt	Less: Water and Sewer System General Obligation Tax Debt	General Purpose Funded Tax Debt
	Principal	Interest	Total					
2015	8,675,000	6,477,750	15,152,750	6.30%	1,637,575	2,903,478	4,851,599	5,760,098
2016	9,675,000	5,485,963	15,160,963	13.32%	1,637,100	2,900,352	4,851,274	5,772,237
2017	7,160,000	5,131,112	12,291,112	18.52%	-	2,906,603	4,241,499	5,143,010
2018	7,460,000	4,827,912	12,287,912	23.93%	-	2,904,427	4,241,424	5,142,061
2019	7,295,000	4,536,324	11,831,324	29.23%	-	2,907,183	4,242,574	4,681,567
2020	7,625,000	4,218,778	11,843,778	34.76%	-	2,907,112	4,243,824	4,692,842
2021	7,575,000	3,870,058	11,445,058	40.26%	-	2,905,487	4,242,518	4,297,053
2022	5,825,000	3,569,436	9,394,436	44.49%	-	852,744	4,242,274	4,299,418
2023	5,205,000	3,332,220	8,537,220	48.27%	-	-	4,241,434	4,295,786
2024	5,450,000	3,094,450	8,544,450	52.22%	-	-	4,245,281	4,299,169
2025	5,705,000	2,837,610	8,542,610	56.36%	-	-	4,243,481	4,299,129
2026	5,965,000	2,576,705	8,541,705	60.69%	-	-	4,245,656	4,296,049
2027	6,225,000	2,317,940	8,542,940	65.21%	-	-	4,246,594	4,296,346
2028	5,935,000	2,056,852	7,991,852	69.52%	-	-	4,242,431	3,749,421
2029	6,200,000	1,794,106	7,994,106	74.02%	-	-	4,242,106	3,752,000
2030	5,745,000	1,535,038	7,280,038	78.19%	-	-	4,243,991	3,036,047
2031	6,015,000	1,270,319	7,285,319	82.55%	-	-	4,242,381	3,042,938
2032	6,290,000	990,538	7,280,538	87.12%	-	-	4,242,494	3,038,044
2033	4,435,000	746,325	5,181,325	90.34%	-	-	3,111,125	2,070,200
2034	4,645,000	539,225	5,184,225	93.71%	-	-	3,113,625	2,070,600
2035	2,745,000	364,625	3,109,625	95.70%	-	-	3,109,625	0
2036	2,885,000	223,875	3,108,875	97.80%	-	-	3,108,875	0
2037	3,035,000	75,875	3,110,875	100.00%	-	-	3,110,875	-
Total	<u>\$ 137,770,000</u>	<u>\$ 61,873,036</u>	<u>\$ 199,643,036</u>		<u>\$ 3,274,675</u>	<u>\$ 21,187,386</u>	<u>\$ 93,146,960</u>	<u>\$ 82,034,015</u>

## City of Midland, Texas

**Table 9 - Interest and Sinking Fund Budget Projection**

	Airport General Obligation Debt	Water and Sewer General Obligation Debt	Scharbauer Sports Complex General Obligation Debt	General Purpose General Obligation Debt	Combined General Obligation Debt
Debt Service Requirements, Fiscal Year Ending 9-30-15	\$ 1,637,575	\$ 4,851,599	\$ 2,903,478	\$ 5,760,098	\$ 15,152,750
Source of Funds, Fiscal Year Ending 9-30-15					
Interest and Sinking Funds, 9-30-14	\$ 907,163	\$ 1,458,765	\$ 1,301,352	\$ 606,137	\$ 4,273,417
Budgeted Ad Valorem Tax Receipts, Including Delinquent Tax Collections				5,699,916	5,699,916
Budgeted Transfers:					
From Water and Sewer Fund	0	5,182,514	0	0	5,182,514
From Airport Fund	498,870	0	0	0	498,870
From Airport Passenger Facility Fund	1,177,439	0	0	0	1,177,439
From Sports Complex Operations Fund	0	0	2,959,836	0	2,959,836
From Golf Course Fund	0	0	0	241,212	241,212
Estimated Investment Income	3,000	7,000	4,000	5,000	19,000
Total Sources of Funds	\$ 2,586,472	\$ 6,648,279	\$ 4,265,188	\$ 6,552,265	\$ 20,052,204
Estimated Balance, 9-30-15	\$ 948,897	\$ 1,796,680	\$ 1,361,710	\$ 792,167	\$ 4,899,454

**Table 10 - Computation of Self-Supporting Debt**

	Airport	Water & Sewer	Scharbauer Sports Complex <sup>(1)</sup>
Net Revenues, Fiscal Year Ended 9-30-14	\$ 6,591,129	\$ 15,189,997	\$ 10,828,994
Less: Prior Lien Revenue Bonds Revenue Requirements Fiscal Year 2014 – 2015	0	0	0
Balance Available for Subordinate Lien Revenue Bond Requirements	\$ 6,591,129	\$ 15,189,997	10,828,994
Less: Subordinate Lien Revenue Bond Requirements Fiscal Year 2014 – 2015	0	0	0
Balance Available for Other Purposes	\$ 6,591,129	\$ 15,189,997	\$ 10,828,994
Less: System General Obligation Debt Requirements, Fiscal Year 2014 – 2015	1,637,575	4,851,599	2,903,478
Balance	\$ 4,953,554	\$ 10,338,398	\$ 7,925,516
Percentage of System General Obligation Debt Self-Supporting	100.00%	100.00%	100.00%

(1) The Scharbauer Sports Complex Fund was established to account for all payments from the 4b development corporation to the City and all revenues and expenses of the Scharbauer Sports Complex.

## City of Midland, Texas

### Table 11 - Authorized but Unissued General Obligation Bonds

The City has no authorized but unissued general obligation bonds.

### Table 12 - Other Obligations

The City has no lease-purchase agreements for the acquisition of any assets.

### Housing and Urban Development Section 108 Program Note

On November 27, 2000, the City entered into a note agreement with the Department of Housing and Urban Development ("HUD") for loan guarantee assistance under Section 108 of title 1 of the Housing and Community Development Act 1974, as amended, in the amount of \$1,045,000. The Note was issued to aid in the establishment of an Advanced Technology Center in order to provide secondary and post secondary education opportunities using innovative technology and pay professional services rendered in relation to such project and the financing thereof. Under the terms of the Note, the City will make annual principal payments on August 1, of each year beginning in 2001 through 2015; interest payments were due semi-annually at a variable rate of 20 basis points above London Interbank Offered Rates until a fixed rate was established pursuant to the note agreement. As of August 9, 2001, the interest rate on the \$1,000,000 outstanding balance of this note agreement was fixed as part of a \$313,756,000 U.S. Department of Housing and Urban Development, Section 108 Government Guaranteed Participation Certificates, Series HUD 2001-A. The Note will be paid from the City's Water and Sewer System.

The following represents the outstanding maturities and associated annual interest payments of this note:

City of Midland, Texas HUD Section 108 Loan Debt Service Schedule			
Fiscal Year Ending 9-30	Principal	Interest	Total
2015	100,000	6,250	106,250
Total Issue	\$ 100,000	\$ 6,250	\$ 106,250



# City of Midland, Texas

**Table 13 - General Fund Revenues and Expenditure History**

	For Fiscal Years Ending September 30,				
	2014	2013	2012	2011	2010
<b>Revenues</b>					
Taxes	\$ 92,001,619	\$ 82,072,286	\$ 76,802,703	\$ 70,176,536	\$ 60,344,593
Licenses and permits	3,091,399	3,142,106	1,936,372	1,604,258	990,770
Fines and forfeitures	3,783,005	3,891,789	3,808,669	3,648,203	3,276,328
Charges for current services	2,640,062	2,564,362	2,685,136	2,311,691	2,356,353
Rentals	14,244	17,344	11,344	14,344	24,655
Intergovernmental grants	859,928	782,449	1,442,040	2,194,974	2,500,250
Investment income	1,327,357	(896,062)	352,527	640,809	818,008
Miscellaneous	1,006,249	1,087,825	488,952	2,704,778	514,520
<b>Total revenues</b>	<b>\$ 104,723,863</b>	<b>\$ 92,662,099</b>	<b>\$ 87,527,743</b>	<b>\$ 83,295,593</b>	<b>\$ 70,825,477</b>
<b>Expenditures</b>					
Administration	\$ 1,681,529	\$ 1,478,038	\$ 1,229,487	\$ 1,027,080	\$ 1,002,054
Support services	13,752,715	15,767,979	11,986,500	11,779,518	11,571,007
Fiscal management	2,260,620	2,205,458	2,154,462	1,990,886	1,741,478
Development services	3,350,847	2,618,009	2,484,995	10,639,275	11,090,190
Engineering	13,905,183	15,188,449	7,700,839	-	-
Community services	10,261,957	10,018,185	10,597,142	9,591,163	9,783,237
Police	25,416,580	24,538,644	22,766,719	21,393,542	21,044,525
Fire	24,516,468	22,905,985	20,918,880	18,782,600	18,203,854
Other	3,475,988	2,585,876	2,004,107	1,952,344	2,266,613
<b>Total expenditures</b>	<b>\$ 98,621,887</b>	<b>\$ 97,306,623</b>	<b>\$ 81,843,131</b>	<b>\$ 77,156,408</b>	<b>\$ 76,702,958</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 6,101,976</b>	<b>\$ (4,644,524)</b>	<b>\$ 5,684,612</b>	<b>\$ 6,139,185</b>	<b>\$ (5,877,481)</b>
<b>Other financing sources (uses):</b>					
Sale of capital assets	\$ 0	\$ 350,000	\$ -	\$ -	\$ -
Transfers in	5,270,262	5,043,341	4,932,814	4,948,358	4,668,811
Transfers out	(590,937)	(565,834)	(515,103)	(586,248)	(452,511)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,679,325</b>	<b>\$ 4,827,507</b>	<b>\$ 4,417,711</b>	<b>\$ 4,362,110</b>	<b>\$ 4,216,300</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 10,781,301</b>	<b>\$ 182,983</b>	<b>\$ 10,102,323</b>	<b>\$ 10,501,295</b>	<b>\$ (1,661,181)</b>
<b>Fund balance at beginning of the year</b>	<b>58,860,503</b>	<b>58,677,520</b>	<b>48,575,197</b>	<b>38,073,902</b>	<b>39,735,083</b>
<b>Fund balance at the end of the year</b>	<b>\$ 69,641,804</b>	<b>\$ 58,860,503</b>	<b>\$ 58,677,520</b>	<b>\$ 48,575,197</b>	<b>\$ 38,073,902</b>

## City of Midland, Texas

**Table 14 - Municipal Sales Tax History**

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita (1)
2010	23,563,357	79.19%	0.3615	206.87
2011	30,281,637	94.78%	0.4482	253.05
2012	35,472,614	106.25%	0.5000	286.22
2013	39,046,477	109.67%	0.5057	303.82
2014	44,776,484	125.77%	0.5799	348.40

(1) See "Estimated Population" under "Table 3A - Valuation and Funded Debt History"

**Table 15 - Current Investments**

As of September 30, 2014, the City's investable funds were invested in the following categories:

Type of Investment

Description	% of Market Value	Market Value
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	35.59%	97,712,150
Cash and Local Government Pools	64.41%	176,804,885
Totals	100.00%	\$ 274,517,035

As of such date, 63.71% of the City's investment portfolio was invested in immediately available funds from pools. The market value of the investment portfolio was 100% of its fair value and the effective investment yield was 0.6226%. Average maturity of the portfolio was 26.7 months.

# City of Midland, Texas

**Table 16A - Airport Statement of Operations**

	For Fiscal Year Ending September 30,				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Operating Revenues</u>					
<u>Terminal ( 1 )</u>					
Airport Parking	\$ 2,987,635	\$ 2,417,005	\$ 2,245,055	\$ 2,047,487	\$ 1,815,315
Airport Building Rental	4,090,892	3,411,902	3,107,199	2,924,153	2,658,054
Airport Aviation Rental	359,438	235,853	234,823	219,237	211,114
Airport Landing Fees	487,659	464,970	435,169	430,466	424,918
Airport Commercial Rentals	168,248	188,032	181,789	145,659	144,567
Airport Fuel and Oil Commissions	104,480	96,250	98,528	94,520	84,603
Miscellaneous	504,421	94,199	95,197	113,309	132,630
	<u>\$ 8,702,773</u>	<u>\$ 6,908,211</u>	<u>\$ 6,397,760</u>	<u>\$ 5,974,831</u>	<u>\$ 5,471,201</u>
<u>Air Park ( 2 )</u>					
Airpark Rentals	\$ 135,924	\$ 138,837	\$ 145,220	\$ 144,432	\$ 143,856
Airpark Fuel and Oil Commissions	22,614	20,602	18,874	18,250	14,468
	<u>\$ 158,538</u>	<u>\$ 159,439</u>	<u>\$ 164,094</u>	<u>\$ 162,682</u>	<u>\$ 158,324</u>
Total Operating Revenues	<u>\$ 8,861,311</u>	<u>\$ 7,067,650</u>	<u>\$ 6,561,854</u>	<u>\$ 6,137,513</u>	<u>\$ 5,629,525</u>
<u>Nonoperating Revenues</u>					
Passenger Facility Charges	\$ 1,594,738	\$ 2,028,866	\$ 2,126,221	\$ 1,816,827	\$ 1,808,537
Other Nonoperating	2,152,211	225,079	388,153	283,486	490,305
	<u>\$ 3,746,949</u>	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>
Total Nonoperating Revenues	<u>\$ 3,746,949</u>	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>
GROSS REVENUES	<u>\$ 12,608,260</u>	<u>\$ 9,321,595</u>	<u>\$ 9,076,228</u>	<u>\$ 8,237,826</u>	<u>\$ 7,928,367</u>
<u>OPERATING AND MAINTENANCE EXPENSES ( 3 )</u>					
Salaries and Fringe Benefits	\$ 2,308,505	\$ 2,147,271	\$ 1,929,992	\$ 1,889,317	\$ 1,891,405
Contractual Services	1,812,983	1,976,765	1,816,722	2,091,181	2,338,144
Maintenance of Structures	66,786	113,984	65,661	51,563	153,539
Maintenance of Equipment	57,603	25,890	52,287	40,181	48,711
Foreign Trade Zone	149,552	155,011	154,132	169,730	146,988
General Fund Services	1,500,000	1,368,159	1,409,574	1,410,971	1,424,839
Supplies	121,702	71,976	64,927	72,734	78,065
Other Expenses	-	-	-	-	-
	<u>\$ 6,017,131</u>	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,725,677</u>	<u>\$ 6,081,691</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 6,017,131</u>	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,725,677</u>	<u>\$ 6,081,691</u>
NET REVENUES	<u>\$ 6,591,129</u>	<u>\$ 3,462,539</u>	<u>\$ 3,582,933</u>	<u>\$ 2,512,149</u>	<u>\$ 1,846,676</u>

(1) "Terminal" means Midland International Airport

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

# City of Midland, Texas

**Table 16B - Water & Sewer Statement of Operations**

	Fiscal Year Ended 9-30,				
REVENUES	2014	2013	2012	2011	2010
Water Sales ( 1 )	\$ 40,020,844	\$ 33,976,375	\$ 29,533,842	\$ 33,602,251	\$ 29,397,204
Sewer Charges ( 1 )	11,394,356	10,482,328	10,040,328	9,689,794	9,284,805
Other Operating Revenue	1,146,497	1,085,465	855,694	480,468	377,507
Total Operating Revenue	\$ 52,561,697	\$ 45,544,168	\$ 40,429,864	\$ 43,772,513	\$ 39,059,516
Non-Operating Income ( 2 )	2,125,809	107,824	1,142,787	1,501,255	1,999,871
Total Revenue	\$ 54,687,506	\$ 45,651,992	\$ 41,572,651	\$ 45,273,768	\$ 41,059,387
OPERATING EXPENSE ( 3 )					
Salaries and Fringe	\$ 5,751,727	\$ 5,830,211	\$ 5,392,602	\$ 5,371,588	\$ 5,425,255
Benefits					
Contractual Services ( 4 )	26,616,536	24,630,222	18,718,955	20,268,652	18,491,190
Maintenance of Structure	558,523	438,788	412,906	303,721	301,953
Maintenance of Equipment	518,957	456,659	335,035	417,057	320,186
Franchise Fees	3,114,314	2,692,772	2,398,143	2,599,173	2,324,821
General Fund Services	1,300,289	1,388,229	1,371,654	1,469,399	1,452,378
Supplies	1,631,981	1,581,354	1,805,380	1,876,189	1,587,762
Other Expenses	5,182	40,084	15	111	770
Total Operating Expenses	\$ 39,497,509	\$ 37,058,319	\$ 30,434,690	\$ 32,305,890	\$ 29,904,315
Net Revenues	\$ 15,189,997	\$ 8,593,673	\$ 11,137,961	\$ 12,967,878	\$ 11,155,072
Water Customers	39,679	38,719	38,087	37,767	37,244
Sewer Customers (Est.)	39,679	38,719	38,087	37,767	37,244

(1) Net after discounts allowed ( see "Water and Sewer Rates " ), penalties and bad debts.

(2) Non-operating income excludes (1) interest income and gain on sale of securities from investment of funds restricted for construction and (2) interest expense.

(3) Depreciation excluded.

(4) Includes all payments to Colorado River Municipal Water District ("CRMWD") for purchase of water and other contractual obligations.

## City of Midland, Texas

**Table 17 - Outstanding System Revenue Bonds**

Prior Lien Bonds:

Waterworks and Sewer System (Prior Lien) Revenue Bonds Outstanding, 9-30-14.....	\$	0
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Subordinate Lien Bonds:

Waterworks and Sewer System Junior Lien Revenue Bonds Outstanding, 9-30-14.....		0
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Total Waterworks and Sewer System Revenue Bonds Outstanding, 9-30-14.....	\$	0
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**Table 18 - Historical Water Pumpage and Consumption**

Fiscal Year Ended 9-30	Water Pumpage Average Day Pumpage (MGD)	Peak Day Pumpage (MGD)	Total Pumpage (Million Gallons)	Water Consumption Average Day Consumption (MGD)	Total Consumption (Million Gallons)
2010	23.74	40.04	8,664	21.54	7,863
2011	25.35	35.37	9,254	24.00	8,759
2012	15.92	35.37	5,826	15.56	5,694
2013	16.49	24.08	6,019	15.65	5,711
2014	18.76	31.24	6,847	15.42	5,627
Average Number of Accounts, 10/13 - 9/14 (est.).....			39,679		
Average Monthly Water Bill, 10/13 - 9/14 (est.).....			\$109.02		
Average Monthly Consumption per Account.....			11.82		

## **AIRPORT REVENUE DEBT**

(Unaudited)

## City of Midland, Texas

**Table 1 - Passenger Enplanements on Scheduled Airline Flights**

Calendar Year	Southwest Airlines (1)	Continental Airlines (2)	American Eagle (3)	Other Airlines	Total
2010	269,195	76,730	72,029	24,589	442,543
2011	287,982	73,852	71,449	33,070	466,353
2012	295,403	52,584	81,922	60,597	490,506
2013	278,961	72,478	95,104	56,057	502,600
2014	292,173	89,155	105,504	56,464	543,296

(1) Southwest commenced service in May 1977.

(2) Continental commenced service in January 1993.

(3) American Eagle commenced service in November 1990.

## City of Midland, Texas

### Table 2 - Airline / Airport Use Agreement

#### **Certificated Passenger Airline/Airport Use Agreement**

Scheduled airlines operating at Midland International Airport are required to sign standard Airline/Airport use and lease agreements (the "Agreements"). These agreements allow the signatory airline the use of certain premises and facilities and for the exercise of certain rights and privileges at the Midland International Air and Space Port in connection with the operation of an air transportation system. All current airline agreements are in a holdover period with new agreements being worked on at this time.

#### **Landing Fees**

On August 1, 2008, the rate for landing fees was temporarily rolled back from \$0.70 to \$0.60 per 1,000 Gross Landing Weight. This reduction, enacted to assist the airlines during the crisis generated by high fuel costs, lapsed on February 1, 2009. At that time the rate returned to the \$0.70 per 1,000 Gross Landing Weight. The City has no plans to increase landing fees above that level during the year ended September 30, 2015.

#### **Rentals**

Terminal Building joint use and exclusive rates are currently \$20.50 per square foot per year. The rate used to calculate the amount of rent to be paid by the airline to the City shall be reviewed annually and may be adjusted if the Airport's financial data for the Airport System Cost/Revenue indicates such need. In no event shall the square footage rate be less than the base \$20.50 rate. No change in rates is anticipated for Fiscal Year 2015.

#### Exclusive Terminal Building Space

Includes ticket counters, operations offices, airfreight handling areas, and administrative offices.

#### Non-exclusive Terminal Building Space

Joint Use Area - 20% of the total monthly charge divided equally among all scheduled airlines. 40% of the total is prorated among all scheduled airlines based upon the ratio of each such airline's number of revenue landings during the calendar month for which such charges are being determined, to the total of all revenue landings for all scheduled airlines. The remaining 40% is prorated among all scheduled airlines based upon the ratio of each such scheduled airline's number of enplaned passengers to the total of enplaned passengers for the calendar month.

#### **Passenger Loading Bridges and Baggage Claim System**

Under the terms of the Airline/Airport Use and Lease agreement between the City of Midland and the airlines serving the Airport, the airlines have responsibility for operation of these systems. In accordance with the Aircraft Passenger Loading Bridge and Baggage System Maintenance contract, charges for maintenance are assessed to the airlines based upon labor performed plus parts, materials and shipping costs.

#### **Extraordinary Costs and Expenses**

The agreements provide for timely renegotiation and adjustments to rentals, landing fees and other charges in the event extraordinary costs or expenses are incurred by the City, including technical advances or new governmental requirements.



## **City of Midland, Texas**

### **Table 3 - Airport Revenue Debt Service Requirements**

The final payment to retire the Airport Revenue Bonds, Series 1997 was made on December 1, 2006.

### **Table 4 - Authorized But Unissued Airport Revenue Bonds; Anticipated Issuance of Airport Revenue Bonds**

The City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election. The City does not anticipate the issuance of additional Airport Revenue Bonds in the foreseeable future.

### **Table 5 - Other Airport Obligations**

The City has no lease, lease-purchase or note obligations secured by Airport revenues. The City's Tax and Airport Subordinate Lien Revenue and Tax Certificates of Obligation, Series 1996 was refunded upon issuance of General Obligation Refunding Bonds, Series 2006A (outstanding principal balance at 9-30-14 is \$3,140,000). This debt is secured by an ad valorem tax.

# City of Midland, Texas

**Table 6 - Airport Statement of Operations**

	For Fiscal Year Ending September 30,				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Operating Revenues</u>					
<u>Terminal ( 1 )</u>					
Airport Parking	\$ 2,987,635	\$ 2,417,005	\$ 2,245,055	\$ 2,047,487	\$ 1,815,315
Airport Building Rental	4,090,892	3,411,902	3,107,199	2,924,153	2,658,054
Airport Aviation Rental	359,438	235,853	234,823	219,237	211,114
Airport Landing Fees	487,659	464,970	435,169	430,466	424,918
Airport Commercial Rentals	168,248	188,032	181,789	145,659	144,567
Airport Fuel and Oil Commissions	104,480	96,250	98,528	94,520	84,603
Miscellaneous	504,421	94,199	95,197	113,309	132,630
	<u>\$ 8,702,773</u>	<u>\$ 6,908,211</u>	<u>\$ 6,397,760</u>	<u>\$ 5,974,831</u>	<u>\$ 5,471,201</u>
<u>Air Park ( 2 )</u>					
Airpark Rentals	\$ 135,924	\$ 138,837	\$ 145,220	\$ 144,432	\$ 143,856
Airpark Fuel and Oil Commissions	22,614	20,602	18,874	18,250	14,468
	<u>\$ 158,538</u>	<u>\$ 159,439</u>	<u>\$ 164,094</u>	<u>\$ 162,682</u>	<u>\$ 158,324</u>
Total Operating Revenues	<u>\$ 8,861,311</u>	<u>\$ 7,067,650</u>	<u>\$ 6,561,854</u>	<u>\$ 6,137,513</u>	<u>\$ 5,629,525</u>
<u>Nonoperating Revenues</u>					
Passenger Facility Charges	\$ 1,594,738	\$ 2,028,866	\$ 2,126,221	\$ 1,816,827	\$ 1,808,537
Other Nonoperating	<u>2,152,211</u>	<u>225,079</u>	<u>388,153</u>	<u>283,486</u>	<u>490,305</u>
Total Nonoperating Revenues	<u>\$ 3,746,949</u>	<u>\$ 2,253,945</u>	<u>\$ 2,514,374</u>	<u>\$ 2,100,313</u>	<u>\$ 2,298,842</u>
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<u>OPERATING AND</u>					
<u>MAINTENANCE EXPENSES ( 3 )</u>					
Salaries and Fringe Benefits	\$ 2,308,505	\$ 2,147,271	\$ 1,929,992	\$ 1,889,317	\$ 1,891,405
Contractual Services	1,812,983	1,976,765	1,816,722	1,820,549	2,338,144
Maintenance of Structures	66,786	113,984	65,661	51,563	153,539
Maintenance of Equipment	57,603	25,890	52,287	40,181	48,711
Foreign Trade Zone	149,552	155,011	154,132	169,730	146,988
General Fund Services	1,500,000	1,368,159	1,409,574	1,410,971	1,424,839
Supplies	121,702	71,976	64,927	72,734	78,065
Other Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING AND MAINTENANCE EXPENSES	<u>\$ 6,017,131</u>	<u>\$ 5,859,056</u>	<u>\$ 5,493,295</u>	<u>\$ 5,455,045</u>	<u>\$ 6,081,691</u>
NET REVENUES	<u>\$ 6,591,129</u>	<u>\$ 3,462,539</u>	<u>\$ 3,582,933</u>	<u>\$ 2,782,781</u>	<u>\$ 1,846,676</u>

(1) "Terminal" means Midland International Airport

(2) "Airpark" is a 500 acre airport, part of the Airport System, located in north Midland.

(3) "Operating and Maintenance Expenses" do not include depreciation, capital outlay or debt service.

## City of Midland, Texas

**Table 7 - Coverage**

Maximum Principal and Interest Requirements, 2014.....	\$	0
Coverage of Maximum Requirements by 9-30-13 Net Revenues.....		n/a
Coverage of Maximum Requirements by 9-30-14 Net Revenues.....		n/a
Airport Revenue Bonds to be Outstanding, 9-30-14.....	\$	0

**Table 8 - Current Investments**

As of September 30, 2014, the City's investable funds were invested in the following categories:

Type of Investment

Description	% of Market Value	Market Value
U.S. Treasury Notes and Bills	0.00%	\$ 0
U.S. Agency and Instrumentality	35.59%	97,712,150
Cash and Local Government Pools	64.41%	176,804,885
Totals	100.00%	\$ 274,517,035

As of such date, 63.71% of the City's investment portfolio was invested in immediately available funds from pools. The market value of the investment portfolio was 100% of its fair value and the effective investment yield was 0.6226%. Average maturity of the portfolio was 26.7 months.